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JPRS 82595

5 January 1983

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# China Report

ECONOMIC AFFAIRS

No. 298

DISTRIBUTION STATEMENT A  
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Distribution Unlimited

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50272-101

<b>REPORT DOCUMENTATION PAGE</b>		1. REPORT NO. JPRS 82595	2.	3. Recipient's Accession No.
4. Title and Subtitle  CHINA REPORT: ECONOMIC AFFAIRS, No. 298				5. Report Date 5 January 1983
6.				6.
7. Author(s)				8. Performing Organization Rept. No.
9. Performing Organization Name and Address Joint Publications Research Service 1000 North Glebe Road Arlington, Virginia 22201				10. Project/Task/Work Unit No.
11. Contract(C) or Grant(G) No. (C) (G)				12. Sponsoring Organization Name and Address  As above
13. Type of Report & Period Covered				14.
15. Supplementary Notes				
16. Abstract (Limit: 200 words)  This serial report contains articles, abstracts and news items on economic developments in China.				
17. Document Analysis a. Descriptors CHINA National Policy and Issues Economic Planning Aggregate Economic Data Economic Management Finance and Banking Energy Mineral Resources Industry Construction Domestic Trade Foreign Trade Labor and Wages Transportation General Publications				
b. Identifiers/Open-Ended Terms				
c. COSATI Field/Group 05C, 13				
18. Availability Statement: Unlimited Availability Sold by NTIS Springfield, Virginia 22161		19. Security Class (This Report) UNCLASSIFIED		21. No. of Pages 95
		20. Security Class (This Page) UNCLASSIFIED		22. Price

5 January 1983

CHINA REPORT  
ECONOMIC AFFAIRS

No. 298

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## NATIONAL POLICY AND ISSUES

### SHANGHAI SCIENTIFIC RESEARCH INSTITUTE HOLDS SYMPOSIA

Shanghai SHIJIE JINGJI DAOBAO in Chinese 25 Oct 82 p 10

[Article: "Shanghai Scientific Research Institute Held a Series of Symposia, Submitted Six Proposals for Attainment of Strategic Objective"]

[Text] Recently, the Shanghai Municipal Scientific Research Institute invited the experts and cadres in the economic and educational circles to a series of symposiums to discuss Shanghai's contribution to the realization of the strategic objective of quadrupling our country's total industrial and agricultural output value by the turn of the century.

If the country will quadruple its total output value, what will Shanghai do? The answer to this question calls for a scientific approach. It has been suggested that "if the country will quadruple its output value, Shanghai should at least do the same, and this is only a question of our attitude toward the line adopted by the 12th National Party Congress." With regard to this suggestion, the participants held that it would be very harmful to simply equate economic targets with political attitude. First, it will tend to encourage exaggeration and falsification; second, the exaggeration and falsification may become aggravated at every level; and third, it will upset the overall balance in the national economy. For many years, we have equated economic targets with political attitude and paid dearly for these mistakes. Since we have learned from our experiences, we cannot repeat the same mistakes.

The experts present at the meetings earnestly hoped that the leaders at various levels should carry out their work perseveringly and meticulously instead of simply shouting the slogans about quadrupling the output value. This does not mean that we can be indifferent to the national efforts in attaining this goal; quite the contrary, we should also exert our utmost efforts with great political enthusiasm and a scientific approach in ensuring that our country will be able to quadruple its total output value.

Two factors have to be considered: First, the economic base figure for Shanghai is large, and generally speaking, the growth rate tends to decrease along with the expansion of the economic base figure. Second, the economy has a dynamic nature, and it is impossible and unrealistic for the economic structure of Shanghai to remain the same in the next 20 years. There are many factors subject to changes before the end of the century. Therefore, we must carefully carry out our economic and scientific forecasts for our strategy and tactics, and this is the scientific approach.

The participants agreed on the well-known prominence of Shanghai's economic position in the country. In addition to quadrupling its own output value, Shanghai must also think of its own contribution in ensuring that the country will be able to quadruple its total output value. Shanghai's contributions can be reported as follows:

1. Shanghai should accumulate the experiences in the modernization of management for the country, and then pass its experiences on to others. Shanghai's enterprise management is comparatively more advanced in the country, since the investment returns in Shanghai are usually several times those in the inland. If Shanghai can help to raise the management of enterprises in other places up to Shanghai's level in the spirit of one helping one, or one helping several, isn't this a big contribution to the country in "quadrupling"? This is worthwhile even though the increase in our output value will be a little less. Therefore, Shanghai should consider its integration with the inland in various forms. At the same time, Shanghai should advance further in restructuring its own system of economic management, in the implementation of the new policies and in the specialization of cadres in management.
2. Shanghai should be the center for refined and secondary processing and for general assembling, so as to make greater contributions to the country's foreign trade. This will bring into play Shanghai's strong points (that is, the geographic, technological and communications strong points), as well as its role as a coastal city in serving the whole country. In this way, it will no longer be necessary for grey cloth to form 70 percent of Shanghai textile exports and for 1,000 ton of tungsten ores to be exported in exchange for 1 ton of tungsten filament.
3. Shanghai should become the base of "piloting industries" and contribute to a higher technological level in the country. "Piloting industries" includes the new industries starting from scratch as well as the new technical development of traditional industries. Instead of excessively striving for quantity, main attention should be paid to the improvement of quality in industrial production. It should also pass on its new, but seasoned, techniques to the inland which will then use them to produce final products to meet the need of the market at home and abroad. This arrangement will enable Shanghai to devote its own resources to the upgrading of its technology and products, and as a result, both Shanghai and the inland will benefit.
4. Shanghai should become a "contracting company" for capital construction in the inland. In the past 30 years, Shanghai's instrument and machinery trade has undertaken more than 300 projects for other places. This shows Shanghai's capability of undertaking contracted work. If it can help others, there should be no question of its helping itself. By undertaking contracted construction, it will not only help develop inland industry, but also bring Shanghai's technology and management methods to the inland.

#### Specific Proposals

Proceeding from the present actual conditions, the participants and cadres submitted the following proposals for Shanghai's economic development in the near future.

1. If Shanghai has to play the role of helping the country quadruple its total output value, stress should be laid on the need for "knowledgeable persons" among the leaders who should be familiar with modern management. In the past several years, the cadres at the middle and lower levels have been very enthusiastic in learning, and have made good progress. However, some leading cadres, particularly those at or above the bureau level are not so enthusiastic in systematic study. This is a problem. The flying start made in the economy of post-war Japan was possible because, first of all, the leaders spent 2 years in learning about modern business operation. Then the leaders at the middle and lower levels had to learn about modern management and management. Setting up a Shanghai Management Research Academy for the special training of leading cadres at or above the bureau level will enable them to not only master the skill of modern business management, but also to find the way for further economic development in light of Shanghai's actual conditions.
2. Modernization has to rely on many factors. Besides mathematics, physics and chemistry, which belong to the "hard science," we have also to develop strategic research, feasibility analysis, enterprise diagnosis, consultation service, and various investigations and study which belong to the "soft science." There must be both "hard and soft" methods before success in modernization can be assured. At present, a large number of veteran cadres, veteran scientists, veteran technical experts and veteran workers are gradually retreating to the second line or third line. They have rich practical experiences, and we should take full advantage of this brain trust. If well organized, it can certainly play a great role.
3. "Counter-demand [fanqiu 0604 3061] engineering" means a detailed dissection and analysis of advanced foreign products in order to find out not only the methods of but also the theories behind their manufacture, and then to produce our own advanced products with special features suitable for Shanghai and with highly competitive power in the domestic and foreign markets. In importing technology, Japan has always put "counter-demand engineering" in a prominent position. When the equipment for steel smelting with the top blown oxygen method was imported, several Japanese companies organized their technicians to conduct a joint study which last 2 years, and finally invented their own advanced smelting technology which was patented for export. Toyota Company imported more than 500 foreign motor cars, carried out "counter-demand engineering" on them and finally produced its own advanced products which later dominated the international market.
4. Transportation is the lifeline of economic development. Shanghai has the advantage of being close to the sea and to the mouth of the Changjiang, but its communication lines are not wide open. The volume of traffic on the Changjiang is but an infinitesimal part of that on the Mississippi River of the United States. The problem is in the harbor and shipping facilities. The experts submitted the following suggestions:
  - 1) The present coastline is not fully used for shipping, and this "highly precious" coastline is being wasted. There are now 96 berths. If those units which have nothing to do with shipping are moved away, the number of berths can be increased up to 144. 2) When these resources have been fully tapped,

a new harbor can be opened. There are now several alternative plans for this project, and they should be quickly confirmed and decided on so that a detailed scheme can be worked out. 3) Shanghai's harbor capacity must be fully developed before the branch navigation routes to Nantong and Ningbo can be considered. 4) Shanghai's shipbuilding industry should be concerned with two types of vessels: sea-going vessels and vessels for the inland rivers. River navigation cannot be overlooked, the Shanghai should make its contribution to the development of the Changjiang navigation.

5. Shanghai has no energy resources, and the only work it can do is energy conservation, in which it has great potential. For example, the supply of thermopower under an overall arrangement can conserve energy by 17 percent. According to the experiences in the Soviet Union, the conservation can be as high as 38 percent. Again, 70 percent of the cargo trucks in Shanghai are owned by different units and these trucks are handling only 52 percent of the total load. Only 22 percent of the vehicles belong to the transportation companies, which undertake 48 percent of the total load (and this load is only sufficient for a transportation team). If freight transport is undertaken by specialized units and modern management and technology are used, energy conservation will certainly yield better results.

6. Practice has shown the merits of a production, scientific research and marketing integration. However, such integration lacks its organic relationship with social needs and is not coordinated with the market. Therefore, such integration should be further developed. Some trade and enterprises in Shanghai should be selected as experimental units to promote the restructuring of the system of economic management.

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CSO: 4006/097

NATIONAL POLICY AND ISSUES

GUANGXI NPC DEPUTIES ON SIXTH 5-YEAR PLAN

HK101251 Nanning Guangxi Regional Service in Mandarin 1130 GMT 9 Dec 82

[Text] According to reports by the XINHUA News Agency, the Guangxi delegation to the fifth session of the Fifth NPC has seriously examined Premier Zhao Ziyang's report on the sixth 5-year plan in the past few days. The deputies said: The report has put forward definite objectives and effective measures to attain them. It has inspired the people with full confidence in realizing the sixth 5-year plan in an overall way. To initiate the discussion, Qiao Xiaoguang gave a brief account on how Guangxi carried out the sixth 5-year plan in the first 2 years as well as Guangxi's 5-year, 10-year and 20-year plans which had been mapped out in accordance with the strategic goals proposed at the 12th Party Congress.

In light of Guangxi's actual conditions, the deputies had heated discussions on how to develop the very favorable situation and how to successfully realize the sixth 5-year plan.

Qin Yingji said: In carrying out the sixth 5-year plan, Guangxi has over-fulfilled quotas in industrial and agricultural production in the first 2 years. The first reason why such good results have been obtained is that we have depended on the strength of the principles and policies formulated since the third plenary session of the 11th CPC Central Committee. Another reason is that we have depended on the enthusiasm of all the people in Guangxi in creating a new situation in socialist construction. The third reason is that we have substantial experience in building socialism. The fourth reason is that Guangxi has rich resources and enormous potential to tap. All this constitutes a reliable basis for us to realize the sixth 5-year plan. He continued: We have recently carried out investigations in 13 counties. This year, 2,564 peasant households have produced 10,000 jin of grain and many peasant households have an income of over 10,000 yuan. These are gratifying and unprecedented phenomena. This favorable economic situation has further increased our confidence in realizing the sixth 5-year plan in an overall way.

(Wei Zhenghui) said in light of Guixian County's actual situation: In 1981 and 1982, the average annual grain output increased by 8.8 percent and that of sugarcane by 52 percent, exceeding the original planned quotas of 6.5 and 22.5 percent respectively. In the coming 3 years, we are quite certain

that we will be able to overfulfill the planned quotas provided that there are no exceptionally serious natural disasters.

The deputies said: Thanks to implementing the responsibility system in agricultural production, the rural situation is developing rapidly. (Luo Rongsuo) said: Not long ago, I went to the (Nalong) commune on the outskirts of Nanning Municipality and carried out investigations there. I have discovered that great changes have taken place in rural areas and the peasants' enthusiasm for production is very high. Some former lazy fellows have become diligent people. Labor efficiency has also been raised to a certain extent. In the past, 10 days were needed to transplant rice. At present, only 3 days are needed to complete the job. Grain output has reached a record high. A diversified economy is developing rapidly. Output of bananas, peanuts and sugarcane has increased over vast areas. There is an upsurge in enthusiasm for science in rural areas.

Some deputies said excitedly: The third plenary session shines brightly. The grain bin of each peasant household is full to the brim. Credit must be given to the implementation of relevant policies for increasing grain output. The responsibility system in agricultural production has made a major contribution to bringing about an abundant harvest of all food crops and thriving domestic animals.

Deputies from the industrial front have given examples to prove that production will develop faster and better if restructuring and reorganization of enterprises are persistently carried out according to the policies formulated by the central authorities.

(Zeng Yong) said: The Guilin tyre factory where I work has increased output and income through restructuring and reorganization. Last year, the factory's profits reached over 5.4 million yuan and the profits this year may reach over 13 million yuan.

(Liang Chengye) and some other deputies said: As long as we adhere to principles mentioned in Premier Zhao Ziyang's report, such as increasing economic returns, enlivening the economy and utilizing foreign funds, the rate of developing Guangxi's national economy will certainly increase much more rapidly.

In discussing what must be done in the coming 3 years, many deputies spoke about how to give play to the role of Guangxi's superior aspects. They said: In accordance with Guangxi's concrete conditions, the whole region must continue to adhere to the policy of consolidating one foundation--grain; grasping firmly the production of two mainstays--hydroelectricity and cane sugar; and giving play to the role of eight superior aspects--sugarcane, hydroelectricity, nonferrous metals, construction materials, native products, forestry, tourism, foreign trade and foreign funds. If we do this, the realization of the sixth 5-year plan in an overall way will be fully guaranteed.

Jin Baosheng and other deputies said: Guangxi's natural conditions in agriculture are very good. There are bright prospects for farming and breeding. On the basis of developing farming and breeding, industry for processing products of agriculture, animal husbandry and sideline production can also be developed. Only if we base ourselves upon giving play to local superior aspects will we be able to take bigger strides forward.

Many deputies also made suggestions and proposals concerning how to realize the sixth 5-year plan in an overall way. Mo Naiqun, Shi Zhaotang and (Ye Rongjun) put forth positive suggestions for training and using capable persons.

(Gan Huiyi) and some other deputies put forth constructive suggestions for utilizing Guangxi's water resources and developing energy sources faster.

CSO: 4006/150

## NATIONAL POLICY AND ISSUES

### NEI MONGGOL NPC DEPUTIES ON SIXTH 5-YEAR PLAN

SK100916 Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 9 Dec 82

[Text] According to a XINHUA report: In the past few days, regional deputies to the fifth session of the Fifth National People's Congress held group discussions on Premier Zhao Ziyang's report on the sixth 5-year plan. They held: The report scientifically analyzed the economic construction in the first 2 years of the sixth plan period, practically put forward basic tasks and key measures of the sixth 5-year plan and pointed out the way for fulfilling the plan in the future. The report inspires us and heightens our confidence.

Deputy Wang Duo said: We should contribute to the fulfillment of the sixth 5-year plan. Nei Monggol region is vast in territory and rich in natural resources so that the region has favorable factors for its development as an energy base of the country. Four of five key open-cut coal mines that the state is concentrating on exploiting, as set forth at the sixth 5-year plan, are in Nei Monggol region. The Erlian Basin in our region is one of the key petroleum prospecting bases in China. The exploitation and construction of the four key open-cut coal mines will perform an important function in the development of China's energy resources. It is a firm and unshakable policy of the party and government that the state helps national minority areas develop economic and cultural undertakings. State enterprises for exploiting resources and construction in Nei Monggol region will promote our region's industrial construction and develop all undertakings. This is a common wish of all nationalities of the people in Nei Monggol region.

In their speeches, deputies talked freely about the excellent situation of the region's economic development in line with reality. They were full of confidence in fulfilling the sixth 5-year plan and the grand objective of the 12th Party Congress.

Deputies Ting Mao, (Wu Ligeng), (Yun Shubi), (Zhan-Bu-La-Ga-Bu), (Li Dejin), (Liu Wengang), (Hong Qide), (Chen Wenbin), (Mu Lan), (Zi-Zi-Ao-Bao), (Na-Ren-Ge-Ri-Le), (Zi-Qin) and (A-Mu-Ge-Leng) said: Nei Monggol region scored good results in the first 2 years of the sixth 5-year plan period. This year the region overfulfilled its targets of ensuring a 4 percent increase and of striving for a 5 percent increase. In line with the important work in directives of the party Central Committee, Nei Monggol region should

concentrate economic construction to implement the policy of developing the diversified economy while focusing on forestry and animal husbandry. We should take forestry, animal husbandry and agriculture as the key to developing our region's national economy and, at the same time, we should accelerate the development of industry. Focusing on raising economic results, we should consolidate enterprises and improve product mix. We should implement technical innovations in order of importance to enhance management and administration. We also should make a thorough investigation of resources and then make good plans for exploiting them.

Deputies made suggestions on constructing energy bases, exploiting the four key open-cut coal mines, developing undertakings of culture, education and public health and public utilities, enhancing technical innovation, training technicians and improving communications and transportation.

CSO: 4006/150

NATIONAL POLICY AND ISSUES

BRIEFS

LIU BINGYAN ON 5-YEAR PLAN--Liu Bingyan, NPC deputy and acting governor of Hebei Province, said at a group meeting of the fifth session of the Fifth NPC: To quadruple the gross annual industrial and agricultural output value by the end of the century, Hebei Province must first of all do a good job in fulfilling targets of the sixth 5-year plan. He said: We must further rectify the guiding ideology for economic work. He said: We must accelerate agricultural development and vigorously strengthen research in agricultural science and technology. He said: It is very important to pay attention to energy production and saving energy. Hebei Province's energy resources consist mainly of coal and petroleum, and the province ranks third in the country in coal and petroleum output. At present, production basically meets demands. From a long-range viewpoint, however, requirements of national economic development can in no way be met by increasing energy production alone. Therefore, it is essential to walk on two legs, vigorously developing energy production on the one hand and vigorously practicing economy in energy consumption on the other. [Excerpts] [OW110848 Beijing Domestic Service in Mandarin 0400 GMT 5 Dec 82]

CSO: 4006/150

## AGGREGATE ECONOMIC DATA

### NATIONAL, PROVINCIAL-LEVEL AGGREGATES

[The following selected national and provincial-level aggregate economic data have been extracted from various sources as indicated. In the table below, dates in the first column indicate periods compared, the gross value of industrial output is abbreviated as GVI0, heavy industry as HI, light industry as LI, textile industry as TI, gross value as agricultural output as GVA0, and gross value of agricultural and industrial output as GVAI0.]

#### NATIONAL AGGREGATES

<u>Date of period of comparison</u>	<u>Increase in percent</u>	<u>Value, in yuan</u>	<u>Percentage of annual plan</u>	<u>Source</u>
1982:1981 Jan-Oct	GVI0: 8.1	45.60 b	15	
1982:1981 Jan-Oct	LI: 6.5	22.89 b	15	
1982:1981 Jan-Oct	HI: 9.8	22.70 b	15	
1982:1981 Jan-Oct	Coal: 7.1	53.29 b tons	15	
1982:1981 Jan-Oct	Electricity: 6.6	26.81 b kwh	15	
1982:1981 Jan-Oct	Crude oil: 0.9	8.49 b tons	15	
1982:1981 Jan-Oct	Natural gas: -6.5	9.810 m cubic meters	15	

#### PROVINCIAL-LEVEL AGGREGATES

<u>Date of period of comparison</u>	<u>Increase in percent</u>	<u>Value, in yuan</u>	<u>Percentage of annual plan</u>	<u>Source</u>
Anhui 1982:1981 Jan-Oct	GVI0: 13.3	11.68 b	1	
Beijing 1982:1981 Jan-Sep	GVI0	17.6	75.8	2

[Provincial-Level Aggregates continued]

<u>Date of period of comparison</u>	<u>Increase in percent</u>	<u>Value, in yuan</u>	<u>Percentage of annual plan</u>	<u>Source</u>
<u>Guangdong</u>				
1982:1981 Jan-Sep	GVIO		74.0	3
1982:1981 Jan-Sep	LI: 11.6	13.10 b		3
1982:1981 Jan-Sep	HI: 7.1			3
<u>Liaoning</u>				
1980	GVAIO:	53.3 b		4
<u>Nei Monggol</u>				
1982:1981 Jan-Sep	GVIO: 16.9			5
<u>Shandong</u>				
1982 Sep: 1982 Aug	GVIO: 7.47			6
<u>Shanghai</u>				
1982:1981 Jan-Oct	GVIO: 5.6		83.6	7
<u>Shanxi</u>				
1982:1981 Jan-Nov	GVIO: 13.2	12.04 b	96.4	8
1982:1981 Jan-Nov	LI: 6.0	3.64 b		8
1982:1981 Jan-Nov	HI: 16.6	8.40 b		8
<u>Sichuan</u>				
1982:1981 Jan-Oct	GVIO: 9.3			9
1982:1982 Jan-Oct	machine building	1.24 b	103.0	9
<u>Tianjin</u>				
1982:1981 Jan-Sep	GVIO: 9.0			10
1982:1981 Jan-Nov	GVIO: 6.7		90.8	11
<u>Zhejiang:</u>				
1982:1981 Jan-Sep	GVIO: 8.2			12
1981:1979	GVIO: avg. 19.5			13
1981:1979	GVAO: avg. 8.9			13
1981:1979	Peoples income: 46.0			13
1981:1978	GVAO: avg. 15.5			14

Source

1. Hefei ANHUI PROVINCIAL SERVICE 1100 GMT 9 Nov 82
2. Beijing BEIJING RIBAO in Chinese 23 Oct 82 p 1
3. Hongkong ZHONGGUO XINWEN 5 Nov 82 No 82260 p 1
4. Shenyang LIAONING PROVINCIAL SERVICE 1100 GMT 2 Nov 82
5. Beijing BEIJING DOMESTIC SERVICE 1600 GMT 12 Nov 82
6. Jinan SHANDONG PROVINCIAL SERVICE 0200 GMT 31 Oct 82
7. Beijing XINHUA 1219 GMT 5 Nov 82
8. Taiyuan SHANXI PROVINCIAL SERVICE 2300 GMT 7 Dec 82
9. Chengdu SICHUAN PROVINCIAL SERVICE 2300 GMT 22 Nov 82
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15. Hongkong CHINA ECONOMIC NEWS No 46 29 Nov 82 pp 7-8

CSO: 4006/149

AGGREGATE ECONOMIC DATA

BRIEFS

XINJIANG CORPS PRODUCTION INCREASE--According to reports by the XINHUA News Agency, the production level of the Xinjiang production and construction corps has been increasing since the 3d plenary session of the 11th CPC Central Committee. At present, the total industrial and agricultural output value of 24 corps and farms has increased by 100 percent and that of 18 corps and farms has increased by nearly 100 percent. These corps and farms account for one-fourth of their total number. [HK110358 Urumqi Xinjiang Regional Service in Mandarin 8 Dec 82]

HUBEI INDUSTRY, TRANSPORT--Provincial industrial and transport production maintained a fairly high growth rate this year. The objective of retaining 6 percent and striving for 7 percent set forth by the provincial CPC Committee can be achieved. The total annual output value of light and textile industrial production will total approximately 13.3 billion yuan. Metallurgical, machinery, chemical and building material industry production has again gone up to a great extent. The total annual output value is estimated at 13.4 billion yuan. Transport and communication fronts have overfulfilled monthly production plans. From January to October the volume of cargo and the number of passengers exceeded 16 percent. For the first quarter of this year, according to budget, the total industrial output value and sales income increased by 5.67 and 10.09 percent respectively compared with the same period last year. The number of enterprises losing money in business and the amount of loss incurred in enterprises have been reduced. [HK131505 Wuhan Hubei Provincial Service in Mandarin 1100 GMT 7 Dec 82]

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## ECONOMIC MANAGEMENT

### BENEFITS OF DIVERSIFIED ECONOMY ANALYZED

Guangzhou GUANGZHOU RIBAO in Chinese 11 Nov 82 p 4

[Article by Jiang Yongtai [3068 3057 3141]: "The Coexistence of a Diversified Economy is Accompanied by Vigorous Growth"]

[Text] The report of the 12th Party Congress pointed out: "A socialist state operated economy occupies a dominant position in the overall national economy. Consolidating and developing the state operated economy are decisive conditions for ensuring that the economy of collective ownership by the laboring masses advances in a socialist direction and for ensuring that the individual sector of the economy serves socialism. Because our nation's level of development in productivity has been relatively low and uneven, the long-term coexistence of a diversified economy is required." Since the Third Plenary Session, our municipality along with the whole nation has made every effort to develop the state operated economy under the guidance of the eight point policy of readjusting, restructuring, reorganizing and improving. They have also actively resumed and developed the diversified economy while promoting the development of a socialist economy. They have achieved outstanding successes. In the two and a half years from 1980 to the first half of this year, 9,687 industries, transportation industries, construction industries, retail trades, food service businesses and maintenance trades as well as 225,505 employees have been added to the system of collective ownership. In individual industrial and commercial businesses there are now 24,022 employees. In 99 percent of production brigades in rural areas throughout the municipality, various forms of the system of responsibility in production have been set up. Last year, the total industrial output value in the municipality increased by 9.3 percent over last year and financial revenues increased by 10.9 percent. Agricultural production is doing even better and the income of peasants has increased remarkably. Practice has proven that under the leadership of the state operated economy, the coexistence of a diversified economy plays a positive role in developing a socialist economy, revitalizing the market, making things better for the people and increasing employment.

First of all, the coexistence of a diversified economy conforms to our nation's various levels of development in productivity. In our nation, the population is enormous and we have a poor foundation to start with. The economy is underdeveloped and the level of development in productivity is quite low. Development is not at all even in the various regions and departments. There is

advanced modern technology as well as a large amount of manual labor. For example, in industrial production although there is much modernized large scale production, nevertheless, the level of socialization is generally quite low. In handicraft industries, commerce, service trades and maintenance industries, manual labor still dominates. Agriculture still involves manual work thereby forming a structure of productive forces of various levels. This has made it necessary for us to implement an ownership structure with various levels with dominance given to the state operated economy. This would facilitate giving full play to the various levels of productive forces and promote the development of a socialist economy. For instance, last year after our municipality gave backing to commercial service industries set up by collectives, individuals and various businesses, the commercial service industries network began to develop rapidly, numbering over 23,000. There were over 190,000 employees in commercial service industries. This marked a return to the level of 1957 with the result that problems that had not been solved for many years such as difficulties in purchasing food and other articles as well as problems in finding accommodations for visitors have been successfully resolved.

Secondly, it is advantageous to overcoming the evil of "eating out of the same pot" and to developing enthusiasm on all sides. In the past under the mistaken influence of the "Left" the people felt that the more socialized public ownership production relations become, the better. This is incorrect. This kind of management system artificially separates the relationship of the rights, responsibilities and interests of the state, enterprises and individuals. The quality of enterprise operations does not concern the enterprise itself nor does it concern the workers. Thus, the long established practice of "eating out of the same pot" seriously restricts the initiative of enterprises and workers. The coexistence of a diversified economy and the implementation of various responsibility systems allows enterprises and individual workers to arrange production and adjust circulation according to the needs of the market while upholding the guidance of state planning. Only in this way can they successfully handle the relationship of economic benefits among all parties, arouse the initiative of enterprises and workers and revive the economy. For example, during the past several years street industries in our municipal district have implemented the system of shared collective responsibility for profits and losses. Enterprise production came to a standstill and some units could not even pay wages. Last year after 128 enterprises gradually changed over to personal responsibility for profits and losses, they became units in the system of collective ownership in reality as well as in name. As a result, production advanced rapidly. New records were set in the four major indicators of total industrial output value, total volume of sales, gross profits and labor productivity rate.

Next, it is of benefit in solving the problem of labor employment and it makes the daily life of the people more convenient. In recent years, the employment of labor has been the most serious problem in our municipality. The main reason for this is that during the period of economic readjustment the state could not invest large amounts of capital in setting up new enterprises and enlarging old ones. Therefore, state-run enterprises could only resolve a very small part of the labor employment problem. Developing the collective and individual sectors

of the economy and developing undertakings involving foreign economic cooperation resulted in few investments, rapid results and flexibility that counteracted the weakness of the state-run economy. For example, when they arranged the capital funds needed by the labor force, the collective economy received less than the state operated economy while the individual sector received even less than the collective sector. Furthermore, individual industrial and commercial businesses generally raise their own funds and find their own outlets. The government can only adopt the measure of "helping them get on the horse and accompanying them part of the way" and extend some credits as appropriate. This will enable individual industrial and commercial businesses to develop more rapidly and open up more employment opportunities. In recent years our municipality has developed collective enterprises individual industrial and commercial businesses and introduced foreign capital. In all, employment arrangements have been made for 300,000 people. Tax revenues have increased and the market has been revived that is in the best interests of the people. For instance, last year our municipality newly set up 1,700 collective and individual food service businesses that employ over 20,000 people. The people no longer have to worry about waiting in long lines to eat breakfast.

We must earnestly sum up our experiences in reforming the economic system since the Third Plenary Session. We must study and work out the specific management systems and distribution systems that correspond to each economic system. In this way, each economic system will further develop and flourish in a sound manner that will promote the establishment of the four modernizations.

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CSO: 4006/124

## ECONOMIC MANAGEMENT

### BENEFITS OF TECHNICAL, ECONOMIC COOPERATION DISCUSSED

Beijing ZHONGGUO CAIMAO BAO [CHINA FINANCE AND TRADE] in Chinese 20 Nov 82 p 1

[Article by Zhao Weichen [6392 4850 5256], Yang Xuguang [2799 2485 0342] and Xu Changzhogg [6079 2490 0022]: "A Major Way to Improve Economic Benefits"]

[Text] In the past two years, Tianjin Municipality has earnestly implemented the "two foreign" policy of opening up foreign trade and launching technical cooperation and economic ties with foreign countries. As a result, economic and technical cooperation between Tianjin and neighboring provincial districts has flourished. The first steps have been taken in opening up new prospects for developing their superiority, reviving the economy and improving economic benefits.

Tianjin Municipality dispatched various investigative groups, technical service groups and economic cooperation groups to 18 provinces, municipalities and autonomous regions to launch activities in economic and technical cooperation. At the same time, they hosted 72 delegations from 20 provinces, municipalities and autonomous regions who came to Tianjin to discuss collaboration. At present, Tianjin has established ties of economic cooperation in 22 provinces, municipalities and autonomous regions including agreements for long-term collaboration with Gansu, Shanxi, Nei Menggu, Yunnan, Guizhou and nine other provincial districts. They have agreed on 500 cooperative projects.

#### Remarkable Economic Benefits of Cooperation

Economic and technical development throughout China is very uneven. By launching regional cooperation we can take advantage of the strong points of each area and offset each other's shortcomings. We can give full play to economic and technical potential, reduce the gaps between regions and accelerate the rationalization of industrial arrangements and the national economic structure. Tianjin Municipality has focused on this task with tangible results.

Each region has supplied what the other needs thereby reviving the economy. There is a shortage of local wool needed for carpet production in Tainjin. In 1980 Tianjin collaborated with Qinghai using 900,000 yuan of foreign exchange to introduce equipment, supply technology and help extend their production capacity of carpet wool yarn by 400 tons. After putting this into production, they

adopted the method of compensatory trade and in 4 years Tianjin will be supplied with 600 tons of wool yarn so that they can weave 90,000 square meters of carpets. Carpet exports have brought in \$11 million and the state has received received 9.5 million yuan in taxes. Qinghai Province has also had an increase of 1 million yuan in taxes. As for the 17 economic cooperation projects currently in effect in Tianjin, investments have been small yet the desired results have been produced very quickly.

It is of benefit to the rationalization of industrial arrangements. Energy resources in Tianjin are tight. At present, they have carried out cooperative projects with Taiyuan and Datong in Shanxi for calcium carbide production. Tianjin has provided the equipment and technology while Shanxi is striving to supply Tianjin with 40,000 tons of calcium carbide by next year. In this way Tianjin can reduce their utilization of electricity by 140 million kwh and conserve 50,000 tons of raw coal. Shanxi, on the other hand, can give full play to its superiority in energy resources and develop production.

It has accelerated progress in industries in remote provincial districts. Tianjin has given full play to their technical superiority to help Gansu, Yunan, Nei Menggu and other provincial districts in industries such as manufacturing shovels, laundry detergent, wool spinning, printing and dyeing, leather, foods, etc. They have solved numerous technical problems and achieved excellent economic results. For example, they helped the Yunnan Quijing Woolen Textile Mill improve product quality. As a result, the proportion of top quality navy woolen cloth increased from 24.5 percent to 89.8 percent and the proportion of jacquard weave top quality woolen blankets increased from 10 percent to 73 percent. The two products were both judged as being top quality products in the province. Last year profits increased by 1 million yuan.

#### The System of Cooperation and Initial Experiences

While organizing cooperation, guiding ideology in Tianjin Municipality has been very clear. They adhered to the guidance of state planning so as to give full play to each of their superiorities. They rationally organized production and tapped potential in every area, improving comprehensive economic benefits was their starting point. In order to revive the economy they accelerated the development of the national economy. They worked to make the economy in neighboring regions and minority nationality areas prosper. The methods of cooperation were flexible with many options. In general there are 10 possibilities: (1) Tianjin puts up capital and returns products through compensatory trade; (2) Tianjin contributes technology and supplies equipment or capital. Products are returned to Tianjin after undergoing cooperative production; (3) Tianjin's trademark is used and technology contributed to jointly create a brandname. Products and profits are shared; (4) Joint capital partnership for construction plants with joint management; (5) Joint production of projects and export marketing; (6) Tianjin takes on the responsibility for processing imported materials and shares products and profits; (7) Tianjin manufactures famous brand high quality commodities while the other party puts raw materials that are in short supply into shares. A portion of returned products and profits are divided; (8) Technical service is sent out upon request; (9) Technology, directions, various technical data and advice are supplied; (10) Science and technology forces are combined to tackle technical problems.

Economic and technical cooperation in Tianjin developed from collaboration regarding goods and materials with priority given to production materials into material (commodity) cooperation that combined production materials and subsistence materials. It developed from single good collaboration into economic and technical cooperation with emphasis on technology combining the "three in one" of integrated economic ties and material (commodity) cooperation. It developed from one time or temporary cooperation to long-term stable cooperation. It developed from the free mergers of the past into cooperation that is carried out in an organized way with leadership. Their initial experiences are as follows.

1. By regarding the region as the unit and emphasizing technical cooperation, they have integrated technical cooperation, economic ties and materials cooperation in order to consider overall planning. This has facilitated the handling of mutual relations among regions. This has also expanded the scope and depth of cooperation, in comparison with the material cooperation of the past which had an office or enterprise as the unit, economic benefits and functions have been more extensive.
2. In order to ensure that regional economic and technical cooperation develops step by step in a planned way, they have made efforts to establish long-term economic and technical cooperative ties. Under the guidance of the state planned economy, they have gradually made cooperation part of the local economic planning system. In this way, the leadership in both parties will take it seriously. This will make it easier to link up cooperation with plans for the economic development of that area and advance along the planned course.
3. In cooperation it is necessary to uphold the principle of mutual benefits and to emphasize both mutual benefits and style. They believe that it is necessary to uphold the principle of mutual benefits in regional cooperation but they cannot be bothered to make minute calculations. It is necessary to follow the general economic strategy of a national balance in development.
4. They have made use of the methods of necessary administrative intervention and adjustments of economic interests to promote economic cooperation and arouse enthusiasm on all sides.

#### New Demands Presented .

According to the spirit of the 12th Party Congress, the Tianjin Municipal CPC Committee presented new demands in launching regional economic and technical cooperation: to focus closely on the two strategic objectives of doubling, to organize our forces in all areas, to arouse enthusiasm on all sides, to accelerate development of economic and technical cooperation with neighboring provincial districts and to work to speed up the pace of construction. The focal points of work are in the following six areas: to promote regional cooperative

projects and to strive to raise production levels; to focus on solving problems in energy resources, introducing new energy saving technology and increasing coal resources; to promote a collaborative base for raw and processed materials and nonstaple foods; to establish a product marketing base; to organize joint tackling of key problems in advanced technology and to train specialized personnel to fill in gaps; to jointly develop products that are competitive on the national and foreign market, to make use of the superiority of trading ports and to make joint efforts to get products onto the international market.

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CSO: 4006/124

ECONOMIC MANAGEMENT

UPGRADING OF SHANGHAI INDUSTRY'S EFFECTIVENESS DISCUSSED

Shanghai CAIJING YANJIN [THE STUDY OF FINANCE AND ECONOMICS] in Chinese No 4,  
25 Aug 82 pp 25-29

[Article by Wang Zhiping [3769 1807 1627]: "Some Problems in Increasing the Economic Effectiveness of Shanghai's Industry"]

[Text] 1. New Heights, New Paths

An energetic effort to raise the economic effectiveness of Shanghai's industry to a new level is a key to its steady progress in the context of expanded foreign trade and development of domestic economic integration. During the Sixth Five-Year Plan, an effort must be made to keep the rate of increase of Shanghai's industrial output above 4 percent every year, even though there can be no increase in the supply of energy or raw and other materials, investments for new construction projects cannot increase much, and, because of changes in domestic and foreign markets, product sales will encounter a more complex situation. Thus only by increasing economic effectiveness and achieving advanced economic and technical indicators will it be possible to make progress. Shanghai's industry has both the potential and the basis for increasing its economic effectiveness. On the one hand, this is made clear by the fact that many economic and technical indicators are lower than they were in the best periods in the past. In 1980 the amount of tax and interest paid per thousand yuan of output value was 10 percent lower than in 1965, while the tax and interest paid per hundred yuan of assets had dropped by more than 7 percent and the amount of fixed and floating capital committed per hundred yuan of output value increased by about 16 percent. These figures are considerably poorer than domestic and foreign advanced levels. Furthermore, since the state was founded the economic effectiveness of Shanghai's industry has risen considerably; currently many economic and technical indicators are at rather advanced levels nationally, while some products enjoy an international reputation. Of particular importance, by more than 30 years' effort we have accumulated much experience and have laid down a certain material base.

New heights of economic effectiveness can be considered in terms of many indicators. The documents published recently by the State Economic Commission and the State Statistical Office contain twelve such indicators; but I

believe that the best summarization is given by the ratio of net industrial output value to gross industrial output value, i.e. the ratio of national income to gross social product. An increase in net output value with a constant gross output value indicates an increase in economic effectiveness; an increase in gross output value as a result of an increase in net output value also indicates an increase in economic effectiveness. If gross output value increases and net output value does not increase or declines, this means that economic effectiveness has decreased. For example, in 1980 Shanghai's gross industrial and agricultural output was 65.1 billion yuan and the national income was 28.3 billion yuan, so that national income was equal to 43.4 percent of total industrial and agricultural output value; in 1981 gross industrial and agricultural output was 67.6 billion yuan and national income was 29.2 billion yuan, so that the latter was 43.2 percent of the former: thus we cannot say that economic effectiveness improved. If we take account of the fact that the prices of raw and other materials and energy in this country are too low and the prices of manufactured articles are too high, and the fact that the net output value of agriculture accounts for much greater proportion of the total than that of industry, then the net output value furnished by Shanghai's industry is even smaller. It is true that many other factors are operative here, such as increases in the cost of certain types of raw and other materials, downward adjustments of the prices of some manufactured articles, and certain readjustments of the product structure, all of which must be specifically analyzed. But nonetheless, in terms of aggregate economic indicators the picture is not good enough. In reality, in 1981 the labor productivity of all personnel in the city's state-run industrial enterprises dropped by 1.6 percent; a third of 120 indicators of consumption per unit output increased; and because of increased overstocks, the proportion of floating capital finished product funds increased from 11.94 percent in 1980 to 12.65 percent in 1981. In order to raise the economic effectiveness of Shanghai's industry to a new level, we must do everything possible to increase output value: either by decreasing material consumption, i.e. increasing economic effectiveness while gross output value remains unchanged, or by increasing the depth, breadth and comprehensiveness of utilization of raw and other materials and energy and increasing the value added to products, i.e. increasing net output value even more than gross output value. Shanghai's industry has always been processing and manufacturing industry, and a particularly energetic effort must be made to increase the added value which it produces; it must not rely on consumption of large amounts of cheap raw materials to make a profit, but most produce more and better marketable, varied products with a minimum of materials and labor and manifest its advantages via economic and technical indicators.

To raise economic effectiveness to new heights, we must break new paths. Not only must every enterprise stress economic effectiveness in every way possible, but we must engage in citywide planning. This means having a comprehensive plan and implementation measures for orientation of product development, improvement of technical standards (including technical upgrading, technical development, technology import and technical modernization),

readjustment of the economic structure and improvement of management, all with reference to the condition and trends of domestic and foreign markets, as well as corresponding economic reform measures. If the economic activity of all industries and departments is coordinated and a systematic, focused effort is carried on for several years, every year they can solve some problems and meet specific requirements. In short, citywide centralized leadership and unified planning should be combined with activism in every industry and every enterprise so as to improve the economic effectiveness of Shanghai's industry in an organized, goal-directed way. This will make it possible to unify quality with quantity, effectiveness with speed, and production with demand in some degree, and to truly make use of the socialist system's superiority in improving economic effectiveness.

## 2. Strengthening Market Adaptability

First we must rectify the previous management attitude of "focusing on production," and firmly establish the market concept; some industries and enterprises and some departments serving export must even employ "market-centered management." Shanghai's industry is a processing and trade type of industry; on the one hand its energy, raw materials and other means of production all come from outside, largely from other provinces, municipalities and autonomous regions, while a small proportion is imported; on the other hand, its manufactured goods and products are shipped out to other ports, most of them supplying various areas in this country, including Shanghai itself, while a small proportion are exported. The two links, supply and sales, both depend on domestic and foreign markets, and market conditions have a major impact on the development of Shanghai's industry. Under past systems, all of which were based on planning from above, the importance of market questions generally was hard for people to appreciate. In the last few years the country has been pursuing a policy of opening up to foreign trade and enlivening domestic markets, and everyone has become increasingly keenly aware of the importance of the market. While it is true that we must continue to adhere firmly to the policy of putting the planned economy first, with market regulation secondary, still, market questions are by no means limited to market regulation; they include the entire circulation sphere of social reproduction. This is especially true of Shanghai's industry. Reproduction must proceed smoothly, and neither the supply link nor the sales link must be absent. But in comparative terms, the marketing of commodities and manufactured products will have a growing importance in the future. All industries and every enterprise and plant must study the market, and must keep market conditions in mind during their economic activity. The state plan must, of course, be resolutely carried out, but it must be remembered that the plan too is drawn up with reference to markets, and plan indicators must not be opposed to market needs: they must be effectively related, planning must take both aspects into account, and they must support each other.

The market for Shanghai's industry is currently undergoing major changes: in particular, changes in domestic markets resulting from the rapid rise of industry in sister provinces, cities and autonomous regions, and changes in international markets caused by the overall world economic recession.

Changes in domestic markets have been particularly strikingly manifested as a result of the progress of readjustment and reform. In the last few years the development of industry everywhere, and particularly the daily-use articles industry, has absorbed larger amounts of energy and raw materials and has turned out larger quantities of manufactured goods, so that Shanghai's industry has been feeling increasing pressure in supply and sales. For example, in 1981 the amount of agricultural produce and sideline products imported by Shanghai from outside dropped by more than 11 percent, raw cotton and hides by 40-45 percent, wood by 10 percent, tung oil by 30 percent, and by fully 60 percent; industrial and mining products, coal and petroleum are also in short supply. Limited production of mixed polyester-cotton cloth, transistor radios and rubber products, and sales stagnation and overstocking of electric fans, watt-hour meters, cigarettes, alcoholic beverages, candy and the like reflect this circumstance. At present many similar products from sister provinces, municipalities and autonomous regions have caught up with or surpassed Shanghai's products, and some have even entered Shanghai markets and gained the upper hand. At the same time, the sales of the electrical-mechanical, refining and other industries which have cut production because of the state's cutback on capital construction funds have increased and output has begun to move up markedly; equipment and metals related to the production of daily-use articles have shown particularly great increases. It appears that the decrease in the supply of raw materials and energy to Shanghai, Shanghai's increasing difficulties in marketing daily-use articles, and the improvement in the market for certain mechanical-electrical and metallurgical products, all are related to the rise of industry in other areas, which reflects the overall tendency of our country's economic development, even though there are many differences in the rate scale and structure of development at different times and in different locations.

Changes in the international markets show up as readjustments of the international economic situation produced by the world economic recession. The United States' high interest rates and tight money policy and West Germany's and Japan's currency devaluations have caused increased protectionism everywhere. Exports of crude products and petroleum are stable while prices are falling, so that many developing countries have experienced decreases in foreign exchange earnings. The Soviet Union and Eastern Europe have had poor harvests and inflation for many years, and their economic and foreign trade circumstances are poor. As competition and struggle on international markets become more intense, Shanghai's industry will encounter increasingly complex circumstances in expanding its exports.

It must be realized that changes in international and domestic markets have posed new requirements for Shanghai's industry. In general terms, in order

to adapt to changes in domestic markets, Shanghai's industry must actively open up new areas in processing and manufacturing and develop products which are in little conflict with other parts of China as regards supplies of raw materials and energy and sales of finished products, which meet the steadily rising requirements of the people's livelihood, and which have higher economic and technical indicators, while at the same time it must actively supply its sister provinces, municipalities and autonomous regions with advanced process equipment and the new metallurgical and chemical engineering materials which they need to develop their industry. In order to adapt to changes in international markets, in addition to striving to consolidate and expand the sales base for existing export products, we must also actively open up markets in the petroleum exporting countries and industrialized developing countries and do everything possible to enter and expand markets in the developed countries. As regards export structure, we must gradually increase the proportion of manufactured daily-use items with high value-added, and strive to expand export of mechanical-electrical products, sets of equipment and electronic products, as well as low-energy-consumption metallurgical and chemical engineering materials. Both the international and the domestic markets require that the products supplied by Shanghai's industry be of better quality with better capabilities, in fresh styles, more convenient to use, and with more complete services, at lower prices; in short, they require products that can meet ever-changing purchaser requirements and make their way in the complex and acute market competition and can increase the country's income.

### 3. Devote Attention to Product Development and Promote Technical Progress

The market situation for products ultimately is determined by the products themselves. Good-quality products not only can attract continuing reorders from old customers, but also can draw new buyers and expand their market range. But for any product to maintain its market position it must constantly be improved and modernized. Not only that, but old products must be continually replaced by old new ones. Continued product improvement and modernization is in accord with the objective laws of development; the further science and technology develop, the more lively economic life becomes, and the more the masses' income increases, the greater the scope and the faster the pace of product improvement and replacement. This principle has been repeatedly proven in practice. Accordingly, only by making an energetic effort in product development is it possible to increase Shanghai's ability to adapt to foreign and domestic markets.

Product development includes both the improvement of existing products and the development of new ones. The improvement of existing products involves upgrading and innovation; for example, improving their design, form, capabilities and appearance, expanding their range of applications, increasing their capabilities, increasing the number of varieties, increasing durability, and making them more useful. Development of new products means the creation of products that did not exist before. Modern industry's greatest source of vitality is its creative spirit; of the products put on the market

in some advanced countries, more than 10 percent are new products every year. In some countries products on the market are revamped every 3 to 5 years, so that there are very few products that have been unchanged for a few years or ten-odd years and virtually none that have been unchanged for several decades. With its great dependence on the market, Shanghai must take the path of innovation if it is to prosper.

To be successful in product development, it is necessary to pursue technical progress vigorously and continuously raise the technical standards of Shanghai's industry. Now, with the exception of a small number of products and a few departments, Shanghai's industry is generally 10 to 20 years behind advanced foreign technology. In the last few years, many sister provinces, municipalities and autonomous regions have caught up with or surpassed Shanghai in terms of the technical quality of products, creating a pressing situation. If the technical conditions of Shanghai's industry are not rapidly improved, it will become increasingly difficult either to expand foreign trade or to develop domestic integration. The vigor and the methods which such places as Jiangsu, Tianjin and Hubei have grasped industrial production technology merit our study. Some enterprises in Changzhou city have approached technical and progress and product development in a spirit of "eating, drinking and sleeping it." Changsha has organized and coordinated the efforts of more than 40 design organizations citywide and has raised the level of its industrial technology in a systematic, planned fashion. Tianjin city has carried out technical modernization in accordance with a general plan. They have all achieved outstanding results in a short time. In Shanghai's present situation, there is a great need for enterprises, industries (or departments) and the city as a whole to coordinate and concentrate their efforts to raise Shanghai's level of industrial technology. There is a particular need to strengthen unified planning and policy guidance of industries and the city as a whole, and to effectively organize activism in every quarter so as to assure greater economic effectiveness.

As regards the improvement and modernization of existing products, we should focus on name brands, fast-selling products, and products with markets or the prospects of developing them, and concentrate our efforts to solve problems of materials, processes, equipment, packaging, service and production cost, so that Shanghai's products will move a step forward in attractiveness and price.

As regards the development of new products, we must use surveys and forecasts of domestic and foreign markets to identify user and consumer needs and organize and coordinate research, design, testing, production and commercial units to vigorously develop and sell them. There must be a general plan so that Shanghai's industry can gradually turn more and more productive forces to the development of new products in order to meet the new situation and new demands of export and the development of domestic ties.

Currently the most important thing is a planned, focused strengthening of the weak links in Shanghai's industrial technology: for example, production equipment and technology for basic components, parts and assemblies, basic processes, basic materials, measuring and testing procedures, printing, dyeing and finishing, energy conservation and the like, and industrial equipment manufacture and development departments. These weak links are already seriously hampering product development and the improvement of economic effectiveness in Shanghai's industry, and if the problems are not solved soon, given the new situation and new demands, they will create great difficulty' for Shanghai's steady industrial growth.

Raising the technical level of Shanghai's industry is a strategic task which affects the entire situation; in addition to developing a unified, scientifically based citywide plan, it is also necessary to map out a correct technical development policy. The technical development policy should be developed in terms of the changes in foreign and domestic markets and the needs of Shanghai's industrial development and should deal with the orientation, focus and program for technical development and technology import, readjustment and improvement of technical structure, objectives of technical modernization, measures for improved utilization and dissemination of the economic effectiveness resulting from advanced technology, and should include the relevant economic measures to encourage technical invention, creativity, modernization and the utilization of this technology. Without a correct technical development policy, there will be no orientation for the development and import of technology and the conduct of technical modernization, and we will simply move in circles, wasting material and financial resources and manpower and losing an irreplaceable opportunity, which will be harmful to economic development.

#### 4. Organize Existing Production Forces More Rationally

Shanghai uses a labor force of several million, consumes fuel and raw materials in the tens of millions of tons, operates several hundred thousand pieces of machinery and equipment of various kinds, and has production funds in the tens of billions of yuan in circulation. Thus, more efficiently organizing the production factors of manpower, material resources and financial resources and further improving their utilization is a very important way of increasing Shanghai's economic effectiveness.

Currently there are many cases of inefficiency and waste in the use of manpower, financial resources and material resources.

Manpower. We leave aside the hundred thousand retired employees and large numbers of unemployed youth in society who could be utilized. Within the enterprises there is overstaffing in some areas, while at the same time some work lacks people to do it. In particular, because of unit particularism and poor allocation of labor, many key workers and cadres have had only a limited chance to bring their specialties and talents into play. For

example, some enterprises which have large numbers of technical and research personnel have not given them work to do for some time, while some other enterprises have an urgent need for technical personnel and no way of obtaining them; some weak technical links in production can be solved only by breaking down unit boundaries and suitably deploying manpower. Dispersal and fragmentation of technical manpower has created a variety of difficulties for key scientific and technical efforts.

**Financial Resources.** On the one hand, many enterprises and departments wish to carry out technical modernization but feel that they lack sufficient funds, while on the other hand, there are cases where funds are not fully utilized. Statistics show that in Shanghai every year a third to two-thirds of fixed capital and reproduction funds are not utilized. But equipment obsolescence and a pressing need to modernize it are glaringly evident in Shanghai's industry. Many enterprises do not use their own funds, but borrow from the banks. In addition, large quantities of funds are dispersed through several tens of thousands of construction projects; the front is extended, and it is impossible to achieve the proper effectiveness from them.

**Material Resources.** In recent years we have made a major effort in oil conservation; our utilization of crude oil is more rational than in the past, and millions of tons of crude oil have yielded a greater economic effectiveness. If the management, allocation and utilization of agricultural produce and sideline products and industrial and mining products which use up large amounts of coal, grain, wood, hides and other materials every year were further improved, creating the conditions for developing comprehensive utilization, this would greatly improve economic effectiveness. To consider only one matter, every year Shanghai has to import large quantities of pigskins from elsewhere in the country, but Shanghai itself sells large amounts of pork with the skin still on. There are similar circumstances with regard to equipment utilization, in which large plants have shortages while small plants continue to run, insufficient use is made of available advanced equipment, and there is duplication in construction. Citywide there are tens or hundreds of heat treatment facilities, electroplating facilities, and forging and casting facilities; manpower is scattered, their effectiveness is very low, and this also hinders the improvement of certain basic components and basic processes; there are many problems of this type.

To rectify this situation we need thorough planning and a suitable program, and we must take practicable steps. But it must be realized that there is great untapped potential in this area, and we must strive to solve the problems. The most important thing in solving these problems is making enterprise reorganization and economic readjustment even more effective. Reorganization and readjustment must be centered on improving product quality, increasing the number of colors, designs and varieties, improving product structure, decreasing materials consumption, improving economic management, stopping waste and loss, promoting technical progress, promoting specialization and cooperation in production, and improving labor productivity and

economic effectiveness, so as to lay a solid foundation for the steady growth of Shanghai's industry. At the same time, in connection with readjustment and reorganization, we must reform the management systems which urgently need it and see that better use is made of our available manpower, financial resources and material resources.

##### 5. Effective Work on Technical Modernization

In the last analysis, technical modernization is the material basis for improving the economic effectiveness of Shanghai's industry and assuring steady growth. Shanghai's industry requires comprehensive technical modernization; this is the basic way of solving the problems of out-of-date products, equipment obsolescence and process obsolescence and of achieving a higher technical level, and the main way of modernizing this great city. One of the lessons of the passage of England's industry from an advanced to a backward position is that over a long period it failed to make an effort at technological replacement. We may say that technical modernization has become the key problem of further developing the old industrial base of Shanghai and that the opportunity to carry out technical modernization must not be missed.

In recent years the activism of all departments and enterprises in technical modernization has steadily increased, and the number of modernization projects has grown every year. But most of them proceed upward, starting from the immediate production needs of the individual unit. This is necessary, but it is not sufficient. The most important point is that there is no enterprise, department, or particularly citywide, strategic plan, there are no clearly defined technical development objectives, the battle line is extended, resources are scattered, and there is much duplicate construction and blind construction. This piecemeal, ad-hoc approach to technical modernization not only takes a long time and yields minuscule results, but may result in an incorrect orientation and roundabout progress, or even the bungling of prospects for the future, so that future development will have to carry a heavy burden. Thus we now sorely need to strengthen comprehensive downward planning and policymaking. For example, we must develop a comprehensive technical modernization plan, including all industries and departments, and a well-founded scientific and technical policy closely related to economic and social development; we must take account of immediate results, short-term results and long-term results in drafting designating key projects and programs, to be revised every year; we must coordinate technical modernization with economic readjustment and enterprise reorganization, and so on. In this way we will coordinate the particular with the overall situation and initiative at the lower levels with strategic direction at the higher levels, making it possible to carry out planned, focused, stage-by-stage modernization and quickly achieve comprehensive technical renovation of Shanghai's industry.

To summarize, we must not only be aware of the necessity and urgency of comprehensive technical modernization of Shanghai's industry, but also must

proceed realistically, in terms of priorities, in a well-thought-out, systematic manner. As a result, we need comprehensive planning and organization. It is not easy to make a scientific, comprehensive plan, but we must conduct large amounts of systematic surveys and research and spend a lot of time on them. A thousand-mile journey begins with a single step, and we may now take it. As a preparatory measure we can establish a citywide consultation and planning organization, including relevant personnel from the scientific-technical, economic, sociological, production, and management departments, to present alternative suggestions and plans to the city regarding ways of drafting a plan and carrying out needed design work. Such an organization may be able to cast off certain of its limitations, give problems more consideration in terms of overall development, and provide some help in the timely elaboration of a comprehensive plan for technical modernization.

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CSO: 4006/649

## FINANCE AND BANKING

### SYMPOSIUM HELD ON NATION'S MONETARY POLICY

Beijing ZHONGGUO JINRONG /CHINA'S BANKING/ in Chinese No 15, 4 Aug 82  
pp 22-23

/Text/ Article: "Stabilize the Currency and Develop the Economy"/

/Text/ In the last third of June the China Banking Society and the Banking Research Institute of the China People's Bank held a specialized conference on foreign monetary policy in Jiangxi. Such questions as whether or not it is possible to adopt ideas from foreign monetary policy and what type of monetary policy China should pursue were discussed, some good suggestions were made, and some problems meriting further study were raised.

#### Monetary Policy Subordinate to Economic Policy

The participating comrades concluded from their discussion that a country's monetary policy is subordinate to its economic policy. Monetary policy at a given time embodies the current economic policy and serves its implementation. All countries have the problem of how to develop their economies, and some have common problems such as whether the production structure is rationally arranged, what forms of production should be chosen, what principles of distribution should be chosen, whether the labor force can be fully employed, whether currency and prices are stable, whether gross national output and national income can be increased rapidly and the like. Even though the economic policies which countries employ to solve these problems are different, they all must develop a suitable monetary policy. Monetary policy is extremely closely associated with a country's economic development.

Different monetary policies employed by the Soviet Union, Eastern European and some Western Countries, and developing countries were described in order to expand the participants' horizons and increase their experience.

#### What Kind of Monetary Policy Should Our Country Pursue?

The question of how to draw up a correct monetary policy for our country was discussed at the meeting. The participants concluded that it was necessary to proceed on the basis of our specific conditions and on the basis of the Marxist theory of currency, and to make developing the economy a precondition in implementing a stable monetary policy.

Some of the comrades believe that in setting a monetary policy, guidelines beneficial to economic readjustment and development must be instituted, that a policy of issuance and stabilization of currency must be pursued, and that we should keep the issuance of currency in the hands of the central government, give banks control over credit, and strike an overall balance between government finance, credit, goods and materials, and foreign exchange. Some comrades believe that we should use different macroeconomic objectives, stemming from the different stages of economic development, as the basic point of departure in setting our country's monetary policy. Currently we must consider the problem of currency stabilization in terms of the needs of our country's economic development, use currency stabilization as a basis for stimulating economic development within the context of readjustment, then go on to consolidate currency stabilization through economic development, finally unifying the two in the improvement of macroeconomic and microeconomic performance, and thereby instituting a beneficial cycle in the national economy.

There was not complete agreement among the conference participants as to whether the two objectives of economic development and currency stabilization are compatible. Some comrades believed that they can be combined provided that currency is issued on the basis of production needs. Other comrades believe that economic development and currency stabilization cannot be combined, particularly in the near term. The comrades that hold the latter view are divided on another point: some believe that at present we must give our attention first to stabilizing currency values, and consolidating currency and credit, draw lessons from a summation of historical experience and promote the readjustment of the national economy; the other comrades believe that only after developing the economy is it possible to carry out currency stabilization.

As regards fixing a correct monetary policy, all of the participants laid stress on the following problems.

1. We must make a correct estimate of our current monetary situation, because this is the basis for a correct monetary policy. Many comrades declared that since the Third Plenary Session of the 10th Central Committee, implementation of the policy of readjustment of the national economy has resulted in a good overall economic situation, and that there has been some improvement in the money situation. But there are still a good many problems; the problem of the excess of banknotes has not been fundamentally solved, and we still cannot rest easy on this score. Some comrades declared that even though there is some excess of money in circulation, it does not exceed the elastic limits of the money circulation sphere and cannot create a danger of inflation, although there are hidden pitfalls. A few comrades stated that there is not an excess of banknotes in circulation, but instead a slight shortage.

2. In order to make an accurate investigation of the monetary situation, we must make further study of the money supply. Western countries have both narrow and broad definitions of the money supply; in this country there is a conflict over whether the definition of the money supply should include bank

deposits. Some comrades believe that the idea that the money supply should include only cash and not bank deposits is theoretically untenable because both cash and savings are means of purchase and payment and both involve the question of "quantity," so that separating bank deposits from the money supply is harmful both to our analysis of social and economic phenomena and to our planning and regulation of the money supply. Moreover, in our country deposits cannot be completely regulated by the state plan, because they can be converted at will into monetary buying power; as a result, the money supply should include both cash and deposits. We should distinguish different levels in the money supply and investigate them separately. Other comrades believe that there are pros and cons to either including or excluding deposits from the definition of the money supply which should all be weighed. If deposits are included in the money supply, planning is difficult, and it may weaken planning and regulation of the cash portion.

3. As regards the question of estimating the money supply, all of the participants agreed that the formulas used since Liberation to calculate our country's money supply have some good points, but because of changes in the economic situation some new factors should be added to the original ones in order to improve the formulas.

#### What Currency Stabilization Measures Should Be Adopted?

The conference participants concluded that once a currency stabilization policy has been fixed, suitable specific measures will be necessary for its implementation. Many comrades analyzed our country's current economic situation and concluded that it is different both from that of the western countries and from the period of readjustment in this country in the 1960's; thus we cannot simply adopt the method of tightening and relaxing controls on currency, but must stabilize the currency in terms of the needs of economic development and use currency stabilization to stimulate economic readjustment and development.

1. We must strictly regulate the issuance of currency and effectively achieve a comprehensive balance in the national economy. Because under the socialist system it is rather difficult to exercise control through the ever-changing production sphere, we must focus on controlling distribution, i.e. controlling the distribution of value in order to control the distribution of utility value, a method which helps strengthen plan guidance in macroscopic terms and at the same time helps invigorate the economy in microscopic terms. Control of distribution must include two aspects: first, keeping the amount of currency which is used for consumption and accumulation equal to the actual national income; second, rationally fixing the size of individual consumption funds, social consumption funds, and accumulation funds.

Some comrades believe that an increase in the money supply must be in accordance with the growth of gross industrial and agricultural output value and that a suitable proportion for growth of the money supply must be determined, based on the rate of increase of gross output value.

2. A credit policy which focuses on proving economic effectiveness, and which is sometimes tight and sometimes loose, sometimes free and sometimes restricted, must be implemented. Under our country's present conditions, it is more important and more effective to control total credit than to control the total money supply. This is because our currency issuance takes the form of issuance of loans, so that controlling credit and issuing loans rationally and effectively is an important measure for controlling the money supply. But this cannot be done in a rigid, stereotyped manner; while following the principle of not increasing total loans, we must support production and invigorate the economy.

3. We must further study the use of the interest lever. We may consider setting different interest rates for different industries so as to encourage or regulate production.

4. We must conscientiously summarize our country's current system of planned management of credit and improve it continually.

5. The focus of regulating money circulation should be the countryside, and we must strengthen surveys and analysis of the money supply there.

6. We must thoroughly and effectively utilize foreign resources and make them truly serve our country's economic development.

The conference also included specialized discussions on such problems as how to utilize foreign resources.

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CSO: 4006/624

## FINANCE AND BANKING

### IMPROVEMENTS IN BANKING SITUATION CITED

Beijing ZHONGGUO JINRONG /CHINA'S BANKING/ in Chinese No 16, 19 Aug 82  
pp 33-34

/Article: "Improvement in the Banking Situation Proceeds Another Step"/

/Text/ As a result of implementation of the party's policy of readjustment and its specific policy of an open door to foreign trade and the invigoration of domestic markets, this year our country's economic situation has shown three new characteristics: 1) the national economy is developing at a faster rate than forecast; 2) heavy industrial output, which last year was falling, has started upward again this year and has begun to exceed that of light industry; 3) commodity supplies are plentiful, showing a vitality that has few parallels in the past 32 years. The excellent situation in the national economy is reflected in banking by excellent implementation of the plans for credit receipts and disbursements and cash receipts and disbursements, an increase in the effectiveness of use of credit funds, and a strengthening of all types of management in the banks; all of these factors are making a good contribution to promoting readjustment of the national economy and increasing economic effectiveness.

Withdrawal of funds from circulation was rather successful in the first half year, with a total of 4.384 billion yuan removed from circulation, an increase of 0.4 million yuan over the amount removed in the same period last year. The situation in this regard is good nationwide. While during the first half of last year, 23 provinces, municipalities and autonomous regions had a net withdrawal of funds from circulation, this year the figure is 27; and accordingly, the number of provinces, municipalities and autonomous regions which have had a net release of funds into circulation has dropped from 6 to 2. The proportion of total funds withdrawn from circulation accounted for by Beijing, Tianjin and Shanghai has been decreasing from year to year: in the first half of 1980 it was 52.56 percent, in the first half of 1981, 38.37 percent, and in the first half of 1982, 33.61 percent. In particular, market supplies in the areas outside the major cities have improved everywhere, so that the accumulation of buying power has decreased. Another important aspect of the situation is that cash receipts from commodity sales have been steadily increasing and that the increase in the countryside has been faster than that in the cities. In the first half of this year, cash receipts from commodity sales nationwide were up 12 percent

from the same period last year, while the increase at the county level and below was 14.3 percent, exceeding the overall increase. This indicates that the work of arranging distribution of manufactured goods to the countryside has been strengthened, and that results are already being achieved from the opening up of the rural commodity distribution channels. A third factor is that recovery of credit funds is continuing to rise rapidly. In the first half year, urban and rural savings on deposit increased by 7.81 billion yuan, an increase that was 0.98 billion yuan greater than in the same period last year; the increase that took place in this period included subscription for more than 0.5 billion yuan worth of state treasury notes by individuals in May and June. Thus the situation is excellent. The reasons for this excellent situation are that urban and rural incomes have increased, sources of savings have expanded, prices are rather stable and people are calm, the rate of interest on savings deposits has increased and is stimulating enthusiasm for saving, and the savings network has been expanded and services increased, making saving easier for the masses. In the first half of this year the situation regarding removal of currency from circulation was rather good, primarily because the economic situation is good. Furthermore, party committees and government organizations at all levels have organized the relevant departments to consciously implement the "State Council Circular on Working Energetically to Make a Success of the Removal of Currency from Circulation and Strictly Controlling Release of Currency," have taken many specific measures and have done a great deal of work. Still another factor is that banks at all levels have made an energetic effort in monetary work and have cooperated actively with the relevant departments in organizing the removal of currency from circulation and in strictly controlling irrational release of currency; in addition, they have devoted attention to credit management, have stimulated enterprises to improve their economic effectiveness. Many banks have carried out major investigations of funds management in connection with the fight against criminal activity in the economic sphere and have laid the groundwork for increased removal of currency from circulation.

All loans have supported the development of industrial and agricultural production and the expansion of commercial purchase and sale. First, the industrial production situation is good, output is increasing, inventories are being decreased, and loans are declining. In the first half year, industrial loans decreased by 3.324 billion yuan, primarily because light industrial production continued to increase while heavy industrial production turned around rather rapidly, some goods and materials were utilized and the use of some imported goods and materials was cut back, so that inventories decreased. In addition, in the course of reorganization, enterprises stressed improved management, increased economic effectiveness and decreased tying-up of funds. In particular, increasing the interest rate on loans stimulated enterprises to strengthen their economic accounting; in order to pay less interest the enterprises made special efforts to use available funds and used special-purpose funds in production turnover, thus decreasing their borrowing. Second, in the first half year commercial loans decreased by 3.828 billion yuan from the same period last year; loans to the supply and marketing cooperative system and the grain system showed a particularly large decrease, which is primarily seasonal in nature. At the

same time, because of increased rural buying power, commodity purchases and sales expanded and inventories dropped. In the first half year the share of the county level and below in total retail sales of social commodities increased by 9.4 percent, with the share of sales of the means of production increasing by 11.9 percent, faster than the increase in sales of the means of subsistence; the governments and departments at all levels made an energetic effort to see that manufactured goods were distributed to the countryside and intensified commodity supply to the countryside; the supply and marketing cooperatives devoted attention to management and economic effectiveness and did everything possible to decrease inventories. Third, agricultural loans supported the development of agricultural production. In the first half year, commune and brigade agricultural loans increased by 768 million yuan from the same period last year; the main increase was in loans to credit cooperatives, which were up 684 million yuan from last year, accounting for 89 percent of the increase in agricultural loans this year. Of the loans issued by credit cooperatives in the first half year, those to individual commune members accounted for 34.9 percent, up from 19 percent in the same period last year. This reflects the fact that the expansion of the "two types of contract" in the countryside has stimulated the peasants' production enthusiasm, with the result that individual commune members are buying oxen for plowing, large pieces of agricultural equipment, walking tractors, chemical fertilizers and agricultural pesticides in larger quantities, and the banks and credit cooperatives are giving active support in terms of loans.

Although the banking situation was good in the first half of this year, some problems were also reflected. First, the excess of banknotes in the market has not been alleviated, the overall price index has increased somewhat, and the prices in the country fair trade have increased even more. This year the area sown to oil crops, cotton and tobacco has increased, output is up and procurement has expanded; cash outlays for procurement of agricultural produce and sideline products in the first half of this year were up by 25 percent from the same period last year. In the second half of the year it will be necessary to issue more banknotes; at the same time, in the first half year cash outlays as wages increased by 9 percent over the same period last year, and of this total, bonus payments were up by 19 percent over the same period last year. Urban and rural buying power are rising rapidly. Second, merchandise and goods and materials are still not in sufficient supply; only a few commodities are abundant enough to meet the demand, while many cannot meet the demand, and there is an inability to adapt to changes in consumption structure. Supply is particularly inadequate to meet demand as regards medium and small-sized farm implements, chemical fertilizers, agricultural pesticides and other means of production needed in the countryside, as well as building materials for civilian use. Energy for industry and some raw and other materials are scarce. Third, the amounts of funds tied up in finished goods produced by industry is increasing and economic effectiveness is rather poor; blind pursuit of high output value still exists. This tends to increase loans and leads to increased issuance of banknotes.

To summarize, this year's economic situation is good and implementation of the plans regarding loans and cash is also good. Some of the problems in the economy are long-standing ones whose solution is continuing, while others have arisen as a result of changes in consumption structure and market demand and must be solved by continuing to implement the general policy of readjustment and by gradually improving the economic structure and increasing economic effectiveness. The banks must carry out surveys and investigations, successfully obtain economic information and conduct market forecasts, strengthen loan management, persist in giving their support to the best projects, on the principle of setting loans amounts in terms of sales, and regulate blind pursuit of output value figures, lack of concern for economic effectiveness, duplication in production, and product overstocks. They must actively promote the expansion of commodity production, expand the purchase and sale of merchandise, increase the amount of currency withdrawn from circulation, strictly control irrational release of currency, and strive vigorously to keep nationwide currency issuance from exceeding the planned figures, so that banking activity will improve by yet another step.

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CSO: 4006/631

## FINANCE AND BANKING

### ECONOMIC EFFECTIVENESS OF RURAL BANKING DISCUSSED

Beijing ZHONGGUI JONRONG /CHINA'S BANKING/ in Chinese No 15, 4 Aug 82  
pp 15-16

/Article: "Increasing the Economic Effectiveness of Rural Banking"/

/Text/ The Shanghai branch of the Agricultural Bank held a conference on improving the economic effectiveness of banking in the countryside during the last third of June. The conference dealt with the theme of improving the economic effectiveness of banking in the countryside and focused on three problems.

#### 1. What is Economic Effectiveness in Rural Banking?

There are two main views on this question. One is that it must be treated in terms of the rural banking departments, or more specifically, the economic effectiveness of the Agricultural Bank and the credit cooperatives. The comrades who hold this view divide over another question. Some of them believe that the economic effectiveness of rural banking is really the economic effectiveness of rural credit funds, because rural credit is the main function of rural banking departments, so that once this problem is resolved the entire question of the economic effectiveness of rural banking as a whole will be basically solved. Other comrades believe that the economic effectiveness of rural banking should include the economic effectiveness of several areas such as credit, cash, and settling of accounts, and that although credit is the main function of the rural banking departments, it cannot be used as a substitute for evaluation of the totality of their work.

The other viewpoint is that rural banking involves all rural funds and monetary activity and that the economic effectiveness of rural banking should be treated in terms of overall rural funds circulation and currency circulation. Accordingly, assessment of the economic effectiveness of rural banking should include not only the rural banking departments, but all rural funds and monetary activity; it should include not only all of the functional activities of the Agricultural Bank, but also the agricultural banking system, theory, policy, understanding, and all other aspects. Only such an approach is helpful in gaining a true overall understanding of the economic effectiveness of rural banking in both microeconomic and macroeconomic terms.

## 2. How to Investigate the Economic Effectiveness of Rural Banking

The conference participants stated that in order to more effectively implement the party's various economic policies in the countryside, to improve the management quality of the Agricultural Bank, and to thoroughly mobilize the activism of the all cadres of the banks and credit cooperatives, we greatly need to establish a set of evaluation criteria which can reflect the economic effectiveness of rural banking and which will allow true, correct, comprehensive, timely evaluation of the economic effectiveness of rural banking. This set of evaluation criteria must be as realistic and simple to apply as possible. The discussion at the conference resulted in suggestion of a provisional set of evaluation indices, as follows:

overall evaluation indices: 1) average rate of increase of reserves on deposit; 2) turnover rate of all types of credit funds; 3) recovery rate of all due and overdue loans; 4) expenses per hundred yuan of deposits and loans; 5) rate of profit per hundred yuan of deposits and loans;

specialized indicators: 1) rate of increase of deposit reserves of commune member savings; 2) recovery rate of due and overdue agricultural loans; 3) amount of loan funds committed per hundred yuan net agricultural income; 4) circulating capital committed per hundred yuan of purchase and sales income of commune and brigade enterprises; 5) circulating capital committed per hundred yuan of purchase and sales income of commercial enterprises.

## 3. Ways of Increasing the Economic Effectiveness of Rural Banking

The conference participants advanced some opinions on how to improve the economic effectiveness of rural banking, citing specific examples; these viewpoints are summarized below.

a. Rectifying the guiding ideas. For the Agricultural Bank, improving economic effectiveness requires that attention be paid to making use of the department's subjective initiative and working energetically and effectively to promote the comprehensive development of agricultural production, to increase the income of the state, the collective and the individual, and to increase economic effectiveness. The lessons of experience must be conscientiously summed up, surveys and investigations intensified, and theory and practice unified in the investigation of problems in the work of the rural banks, in order to utilize positive aspects, avoid negative aspects and continuously improve the banks' effectiveness.

b. Stress should be laid on relating microeconomic interests to macroeconomic interests. In their economic relationships with the various economic units, the banks must make the economic interests of society their main criterion, and if there is a conflict between microeconomic interests and the interests of society as a whole they must follow the principle of subordinating the interests of the part to those of the whole, and help the loan units to handle the matter correctly. The banks' own economic interests must be subordinated to those of society, and they must constantly protect the interests of society.

c. We must focus on promoting the realization of intensive expanded reproduction in the rural economy. Currently there is much untapped potential in manpower and material and financial resources in the countryside. To increase economic effectiveness, in supporting the production of agricultural crops we must proceed in terms of what is locally suitable, take a realistic approach, generally focus on medium and low-output areas, and promote increases in yield per unit area and improvement of the commodity rate. In commune and brigade enterprise projects the emphasis must be on supporting production of daily-use consumables, promoting the improvement of management, increasing the number of colors and designs and improving product quality.

d. An effective management system must be gradually set up within the banks, involving, for example, a system of surveys and research, for economic information, for statistical analysis and the like, in order to base the banks' work on scientific data. A job responsibility system must be established and kept functioning properly so that all functional departments, operating levels and positions have clearly assigned defined responsibilities and everyone works energetically in connection with the central concern of increasing economic effectiveness.

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CSO: 4006/624

FINANCE AND BANKING

OVERFULFILLMENT OF REVENUE PLANS IN YUNNAN REPORTED

Kunming YUNNAN RIBAO in Chinese 20 Aug 82 p 1

[Reports by Wang Yongdian [3769 3057 3329] and Wang Zhidong [3769 1807 2639]: "Readjust Fiscal Policy, Support Enlivening the Domestic Economy; Our Province Overfulfilled Revenue Plans for Three Successive Years"]

[Text] Since the 3rd Plenary Session of the 11th CPC Central Committee, financial and tax departments have actively implemented the readjustment policy of the national economy, begun the reform of the financial system, readjusted the fiscal policy, and overfulfilled revenue plans in successive years.

Reserve financial resources in all parts of the province have continued to increase in the past three years because the fiscal system of "centralized control over revenue and unified expenditure" has been changed, the distribution ratios of reserve financial resources among the province, prefectures and counties have been readjusted so that all parts of the province have been able to overfulfill revenue plans through their efforts, giving play to and mobilizing the initiative to increase production and revenue. In the three years from 1979 to 1981, prefectures and counties have overfulfilled by 352,000,000 yuan or 78.6 percent of the overfulfilled total in the province as a whole, which has played a positive role in promoting prefectures and counties in suiting measures to local conditions, giving play to the superior situation, developing industrial and agricultural production and a diversified economy, and nurturing key financial resources.

Other than expanding experimental points in the right of self-management among enterprises, diversified forms of profit sharing method or various systems of assuming sale responsibility for one's profits or losses have been extensively carried out in the entire area. Expense contracts have been carried out among administrative units and various institutions, mobilizing them to increase production and economize, increase income and limit expenditure, and stress the positiveness of economic benefits. In the past three years, after industrial enterprises in our province deducted the fixed elements, production has increased, cost has decreased, profit has grown, and loss has been reduced.

In the distribution and planning of budgetary funds, expenditure for education, hygiene, science and technology, forestry, animal husbandry and people's wellbeing have increased, promoting the growth of these undertakings and the improvement of the lives of people.

In tax policy, the Party Central Committee's policy of giving peasants a "breathing space" has been carried out in earnest and the rural tax burden has been readjusted, thus increasing the income of peasants. Care has been given to the tax policy for collective enterprises in cities and towns.

As the principles and policies since the 3rd Plenary Session of the 11th CPC Central Committee have been carried out, a firm foundation has been laid for revenue growth. In the last three years, profits retained by financial institutions and enterprises, 2,879 million yuan have been spent on subsidies and investments for improving the wellbeing of people in both urban and rural areas. Even though same trades lacked production tasks and had less income, and even though reform of the financial system has left 900 million yuan for enterprises and [institutional] units, revenue still maintained a steady increase. The whole province collected 1,102 million yuan in revenue in 1979, 1,118 million in 1980, and 1,337 million yuan in 1981 (including electric power revenue handed over to the central authorities). From January through July this year, 789 million yuan in revenue have been collected. According to fixed requirements, it has increased 150 million yuan over the same period last year, an increase of 23.5 percent.

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FINANCE AND BANKING

BRIEFS

XIZANG SAVINGS INCREASE--By the end of October, the amount of savings in Xizang region totaled 72.32 million yuan, 10 million yuan more than at the end of 1981. The savings deposited with the Lhasa branch of the People's Bank in October increased by 1.3 million yuan. The savings deposited with the Nagqu branch bank in September and October were some 300 percent more than in the preceding 8 months. [Lhasa Xizang Regional Service in Mandarin 1130 GMT 18 Nov 82 HK]

CSO: 4006/147

## INDUSTRY

### PROGRESS OF NATION'S LIGHT INDUSTRY REPORTED

Shanghai ZHONGGUO CAIMAO BAO in Chinese 30 Sep 82 p 1

[Text] From January to August this year, China's light industry registered a 10.3-percent gain in the value of total production over the comparable period last year. The large variety and selection of its products were unmatched since the founding of the People's Republic.

In 29 provinces and cities, production in the light industry sector has been higher than last year. In 15 provinces, cities, and autonomous regions, the output value has increased by more than 10 percent. Of the 20 major products covered in the state plan, state production targets for 17 of them had already been fulfilled or overfulfilled by August. The production of washing machines for home use, bicycles, and sewing machines increased over 25 percent from last year. Output of plastic products, detergent, chinaware, beer, and sugar was also up. In addition, the quality of the majority of light industrial products has remained stable, and for some products it has even improved.

To meet the needs of the people, an increasing number of enterprises in the light industry sector are competing with each other in bringing out new products or expanding product varieties. From January to August, these enterprises have test-produced some 3,000 new products and more than 30,000 new styles. By now, more than half of them have established themselves on the market. For example, the Shanghai No 3 Bicycle Factory recently brought out a Phenix brand bicycle made of aluminum alloy. This lightweight vehicle weighs only 12 kilograms. The Tianjin Bicycle Research Institute and the Shanghai Bicycle Research Institute both came up with new speed-change gears for use on bicycles. The Chongqing No 2 Garment Machinery Factory successfully put together an underside stitching machine that does good work and works at high speed. It is expected to take over work normally done by hand. The Tianjin Microbiological Research Institute, after 1 1/2 years of research, successfully concocted an "athletes' electrolyte drink." It replenishes the body with potassium, sodium, calcium, magnesium, other inorganic salts, and some energy. It reduces fatigue, improves the quality of sleep, and prevents muscular cramps. It is a good aid in the strenuous training of athletes. Nanjing, Guangzhou, Xian, Wuxi, and Kunming cities also have produced many new products.

INDUSTRY

PROGRESS OF LIGHT, TEXTILE INDUSTRIES IN GANSU REPORTED

Lanzhou GANSU RIBAO in Chinese 5 Sep 82 p 2

[Text] Since the Third Plenary Session of the 11th CPC Central Committee, Gansu Province has strictly adhered to the guidelines on nationwide economic readjustment. As a result, the light and textile industries in the province are forging ahead with big strides. The total output value of these two sectors in 1981 was up by 14.29 percent over 1978. A realignment of the light and heavy industries is taking place throughout the province. In the past 3 years, a number of new factories have been built and a number of existing factories have been either rebuilt or expanded. As a result, new products are coming out in a steady flow, and the quality of light and textile industrial products is improving steadily. The number of name-brand and well-made products is increasing.

In order to speed up the development of light and textile industries in Gansu Province, the provincial people's government, in the past 3 years has made available a total of 200 million yuan in both direct investments and loans to the light and textile industries, both for new projects and for the rebuilding and expansion of existing facilities--a total of 118 projects. These projects include new factories such as the Baiyin Cotton Weaving Mill, the Lanzhou Watch Factory, the Lanzhou Wollen Knitwear Factory, the South Gansu Tannery, and nine other factories; rebuilt factories such as the Wusan Worsted Mill, the West Gansu Tannery, the Lanzhou Plastic Packaging Material Factory, the Tiensui Municipal Leather Shoe Factory, the Meigao Leather Shoe Factory in Lanzhou, and 22 other factories; and projects such as expansion of the Lanzhou No 3 Worsted Mill to a total of 4,800 wool-spinning spindles, expansion of the Gansu Woollen Yarn Mill, the Hui County Brewery, the West Gansu Paper Mill, and the Lanzhou Tannery, and expansion of 72 other factories. The completion of these projects has added some new products as well as boosted production of such items as electronic wristwatches, vinyl fiber, electric irons, knitted woollen yarn, silk, wool rugs, cigarettes, white wine, and a dozen other items. These new products and the increased production of others add over 100 million yuan to the total output value of the light and textile industries in Gansu Province.

In recent years, the proliferation of new products in Gansu Province has been accompanied by an improvement in the quality of both new and existing products.

The light and textile industries in our province have made a conscious effort to expand their product variety and to produce more of the items that are popular at the marketplace. The number of people engaged in research for new products is on the rise. Where there [formerly] was only one scientific research institute for light industry in the province, there now are research institutes for light industry, textiles, and plastics. Of all the new products submitted by various enterprises, the Gansu provincial light industry department and other local authorities have evaluated and approved more than 200 items for trial production. Of these, mohair serge, blended wool and polyester gabardine, velvetine blanket, and four other products are also new by national standards. These Gansu products are of a quality comparable to the best produced in the country. Gansu Province is also beginning to produce such sophisticated consumer durables as television sets and washing machines to meet market needs.

The enterprises of Gansu Province in the light and textile sectors are constantly improving the quality of their products. For example, the pure wool gabardine, velvetine blankets, velvetine yarn, imitation antique rugs, inlaid lacquer screens, layered vases, and wool-like short fibers produced in Gansu are rated by the Ministry of Textiles and the Ministry of Light Industry as being of consistently reliable and superior quality. Fifty-four other products are rated by provincial authorities as superior.

Stimulated by the national policy of economic readjustment, the woollen industry in Gansu Province is developing by leaps and bounds. The rate of development is faster than any other period since the founding of the people's republic.

Gansu Province produces large amounts of wool, mohair, and camel hair. The raw materials with which chemical fibers are made are also plentiful. Gansu was the first province in China to use machinery in its woollen industry, the first machine having been introduced 102 years ago. In the years from the founding of the People's Republic to 1978, the Lanzhou No 1 Worsted Mill, the Lanzhou No 2 Worsted Mill, the Lanzhou No 3 Worsted Mill, the Lanzhou No 5 Worsted Mill, the Gansu Woollen Yarn Mill, the Pingliang Woollen Textile Mill, and the Qingsyang Woollen Textile Mill came onstream either as new mills or rebuilt from existing facilities. The burgeoning woollen textile industry of Gansu Province thus took shape.

Then in the course of implementing the national policy of economic readjustment, Gansu Province has made a greater effort to tap the natural resources and technical expertise available in the province and to meet the growing daily needs of the people that accompany the steady improvements in the standard of living. Consequently, the Lanzhou Wool Top Factory was built, the Wusan Worsted Mill, the Wuwei hemp-weaving mill, and the Lanzhou No 4 Worsted Mill were rebuilt, and a number of factories were expanded. By now, there are 11 woollen textile mills in Gansu Province, with a total of 38,740 spindles. Present production is 12 times greater than that of preliberation

years and a third greater than in 1978. In 1981, Gansu Province produced 4.36 million meters of worsted fabrics, 870,000 meters of woollen fabrics, 1.8 million woollen blankets, and 2,787 tons of woollen yarn. These products are sold both nationwide and to more than 40 countries in five continents. Some of these products are so good that production cannot keep up with demand.

The plastics industry of Gansu Province, using the plentiful petrochemicals produced in the province, has also developed rapidly in recent years. Starting with plastic products that were blown into shape, it has diversified into packaging and building materials, products for industrial and agricultural use, and household items in as many as 160 different types. New products include such building materials as veneer sheets, decorative sheets, particle boards, stairway rails, plastic pipes, and plastic boards. Gansu Province used to import from other provinces polyethylene bags for packaging purposes; now it is self-sufficient. At present, the province has eight production lines for color-printed polybags, capable of producing 80 million polybags a year. Last year the province brought in some heavy-duty injection molding machines. Production of hard plastic products reached 10 million tons, and plastic drums 300,000 pieces a year. The province has also begun to produce ground-cover plastic film popular with the peasant population. As a result, production of such economic crops as melons and vegetables is expected to grow by from 20 to 50 percent more than last year, to be accompanied by an increase of from 30 to 60 percent in income. So far this year, Gansu Province has produced 1,000 tons of ground-cover film.

Gansu Province is also a large producer of cowhides, sheepskin and pigskin--raw materials for the tanning industry. With the expansion of the West Gansu, Pingliang, Tiensui, and Lanzhou tanneries, leather production has increased from 230,000 to 500,000 sheets a year. Furthermore, in addition to black patent leather, the only kind produced in Gansu Province for many years, there are now xylidine-treated sheepskin, xylidine-treated pigskin, grained leather, and garment leather; the latter types now account for about 40 percent of total leather production. Also, with the separation of the shoemaking industry from the tanning industry and the expansion of the facilities at the Lanzhou, Tiensui, Qingyang, and Wuwei shoe factories, the production of shoes in Gansu Province has doubled to 1.8 million pairs a year. At the same time, the quality and variety keep on improving, to the growing gratification of the rural and urban population who use them.

With the development of tourism in the province, arts and crafts are also thriving. There now are over 100 major varieties in the seven major categories--rugs, pottery, metal arts, artificial flowers, lacquerware, glassware, and paper cutting. With the encouragement of party organizations at all levels, cottage industries are humming with activity. Last year they produced 26.57 million yuan worth of arts and crafts, of which 18 million yuan worth was exported and earned a profit of 3.3 million yuan. In the past 3 years, cottage industries brought our nation a total of 67.4 million yuan in revenue, earned a profit of 7.7 million yuan, and created employment for 5,000 more people. The rug industry of Gansu Province, once a pet industry of our beloved Premier Zhou Enlai, has also made new headway in

recent years. There are now 31 rug factories in the province. The number of commune- and brigade-operated rug-weaving centers has increased from 52 in 1978 to the present 107. In the past 3 years, these weaving centers have brought a total of 7 million yuan in revenue for the communes and brigades operating them. Exports of rugs increased from 37,000 square meters in 1978 to the present 60,000 square meters. Their export value also grew from 6.5 million yuan in 1978 to 12.7 million yuan at present. In 1981, profits from rug weaving reached 1.61 million yuan. Presently, Gansu Province has the capacity to produce 100,000 square meters of rugs a year.

As a result of their sustained effort to streamline their operations and to rearrange their production priorities, the light and textile industries in Gansu Province are now operating less often as subcontractors for bigger industries and more often as producers of consumer and export items. Their total output and total output value are swinging back this year to peak historic levels. In the first 7 months of this year, they produced a total of 257 million yuan worth of goods. Some factories are cutting their losses; others are increasing their profits. Smaller factories are making items which larger factories and state-run enterprises have missed. Over the years, they have played a vital role in keeping the markets stocked, in satisfying the needs of the people, in earning foreign exchange, and in providing jobs. They are producing 1,000 types of products in 3,000 varieties--products like daily necessities, wooden furniture, stationery, electrical appliances, garments, embroidery, household hardware, and household chemicals; these are things that people cannot live without and that make life more comfortable.

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CSO: 4006/076

## INDUSTRY

### SUCCESS OF SHEKOU INDUSTRIAL ZONE PRAISED

Guangzhou YANGCHENG WANBAO in Chinese 22 Sep 82 p 1

[Text] In 3 years, Shekou Industrial Zone has grown from a deserted stretch of beachhead and hilly land into an industrial port city. What is the secret of its success? After a number of leading cadres of the central and the Guangdong provincial governments as well as a number of Chinese and foreign economists made an on-the-spot inspection, they gave high marks to the bold experiments and innovations made to the economic structure of the Shekou Industrial Zone and to its management methods. They have dubbed the success of Shekou Industrial Zone in breaking out of the old ruts the "Shekou model." Now the comrades at this industrial zone are continuing to draw lessons from, to perfect, and to develop this "Shekou model."

It is the belief of many comrades that the key to the success of the "Shekou model" is the separation of the state from the enterprise. In other words, the enterprises in Shekou Industrial Zone are no longer "state-run," but "merchant-run." This marks a giant step away from the limitations and confusion created by the involvement of the state in affairs of the enterprise. The basic concept is the weaning of the enterprises from state investment funds. The enterprises raise their own capital, operate independently, and enjoy a certain degree of autonomy. While they strive for a balance among authority, responsibility, and profitability according to the guidelines set by the state, they have a free hand with their internal operation.

Considering the large number of service projects it handles, the administrative and management staff of Shekou Industrial Zone is a relatively lean structure. It consists of three offices (general office, accounting office, and chief engineer's office) and 13 service companies (such as the realty company, the employment company, the home service company, among others). Fewer than 50 people man the three offices, and their duties are strictly administrative. While they make routine inspections and in general keep an eye on the service companies, they do not interfere with their internal affairs. Each service company is an independent enterprise, responsible for recovering its investment within a certain time. Its board of directors or the general manager it hires is responsible for its day-to-day operation and policymaking. Thus, structurally, the administration of the industrial zone and the operation of the enterprises located therein are completely separate.

As the enterprises are "merchant-run," they are free to decide where to get their money and how to make it pay, and they are prepared to take certain risks. For example, in the early stages of development of the Shekou Industrial Zone, the Mercantile Bureau did not turn to the state for money. They raised their own working capital, part of which came from bank loans. Through competitive bids they contracted with small contractors to bring in water and electricity, to build communications networks, to build roads, to build port facilities, and to level the ground, all in a matter of 2 1/2 years. This year, a number of the service companies in the industrial zone will follow suit. For example, the service companies used to negotiate bank loans through the Mercantile Bureau. Now, as independent enterprises, they are to negotiate directly with the banks. Recently, the Industrial Zone Realty Company realized the need for a warehouse to store and a wharf to load and unload dangerous cargo. It has obtained loans totaling 10 million Hong Kong dollars and 3 million Renminbi. Since the authority, responsibility, and profitability all rest with each service company, the cadres of the company, after obtaining a loan, will always remind themselves: "I borrow the money, I pay the interest, and I take the risk." Therefore, before they make a move, they will think twice. Before they spend a cent, they will make sure it is well spent. The cadres of the industrial zone generally agree that this is a good approach. Obviously, when one is made accountable for profits and losses, one will make sure that his investment pays off.

This "merchant" approach is also asserting itself in personnel recruitment and payscale adjustment. For example, the recruitment policy of the industrial zone is also set by the enterprises. The Industrial Zone Employment Company recruits staff personnel and workers for the enterprises and charges them a fee. Furthermore, the industrial zone has recently experimented with a new recruitment approach. With the approval of the leading comrades on the State Council, the Shekou Industrial Zone Administration last September placed advertisements in the newspapers of several major cities of the country to invite job applications. Among the applicants, the top 40 who had a college education and had been working as engineers and technicians elsewhere were hired. Then they were given a year's training in enterprise management, foreign trade practices, and commercial English. This method makes it possible to pick the best people from among a larger number of applicants, and discourages hiring through the backdoor. It marks a major breakthrough from the time-honored job assignment system. By now, the 40 people hired by the industrial zone have completed their 1-year training period. Still, they will not be assigned jobs. It is up to the enterprises to hire them. This new recruitment method is no doubt one of the more interesting features of the "Shekou model."

It has been learned that the leading comrades of the State Council are greatly impressed by the "Shekou model." This has led to a decision by leading departments concerned to develop Chiwan port, a logistics base for shipping oil from the South China Sea, after the fashion of the "Shekou model."

## INDUSTRY

### YUNNAN MINE IMPROVES LIVING CONDITIONS FOR WORKERS

Kunming YUNNAN RIBAO in Chinese 18 Aug 82 p 2

[Text] Since the Third Plenary Session of the 11th CPC Central Committee, the Dongchuan Mining Administration, led by a party committee committed to the dual goals of increasing production and improving the quality of life for its staff and workers at the same time, have completed the following 10 projects, with some of the money being its own and the rest of the funds coming from state investment money:

1. Some new homes have been built for the staff and workers, and some old homes have been spruced up. More than 200 small new kitchens have been put in existing homes. As a result, staff and workers now enjoy better living conditions.
2. Fourteen cadres in managerial positions and technicians have been selected to start up collective enterprises to handle quarrying, sand sieving, transportation, capital construction, and photographic needs of the entire mine. These enterprises have hired 314 young people who were awaiting job placement. Their parents are greatly relieved.
3. A staff hospital with 1,600 square meters of floor space has been built and equipped to provide better medical care for the staff and workers.
4. A television relay station has been built and videotape and relay equipment purchased. As a result, the reception for the more than 700 television sets owned by the entire mine has improved.
5. Thirty-six rooms have been built for use by visitors. They are furnished with beds, kitchen cabinets, tableware, and chairs. As a result, relatives visiting the workers and staff at the mine now have better accommodations.
6. A 2-kilometer-long highway that passes through the mine area has been repaved and lampposts erected.
7. At places where the housing for staff and workers was concentrated, water mains totaling 1,400 meters in length and the necessary number of water faucets have been installed to improve water supplies to the homes.

8. Eleven libraries and recreation rooms have been built. The libraries boast a total collection of 17,600 books, and the recreation rooms are equipped with billiard tables, chess tables, and card tables for the enjoyment of the staff and workers after work.

9. A fishpond covering an area of 10 mu has been built, now raising some 50,000 fish. More than 2,000 apple trees have been planted. Five mess halls now have bread toasters.

10. A staff and worker's clubhouse with 900 seats has been built, and will officially open on the coming National Day. After that, staff and workers will no longer have to watch movies in the cold wind, "each carrying a portable stove with him" to warm his hands.

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CSO: 4006/076

## DOMESTIC TRADE

### BETTER MANAGEMENT IN AUTUMN FARM PROCUREMENT STRESSED IN JIANGSU

Nanjing XINHUA RIBAO in Chinese 15 Sep 82 p 1

[Report by Shen Caimou [3088 2088 5399]: "Provincial Government Demands Concerned Departments Throughout the Province to Conscientiously Resolve the Problem of 'Difficulties in Business Transactions' in the Countryside"]

[Text] To resolve "difficulties of business transactions" among peasants is an important and immediate task in supporting industrial and agricultural production, improving the wellbeing of peasants, stabilizing market prices and developing the excellent situation in the countryside. The Provincial People's Government has recently issued a circular demanding concerned departments everywhere to adopt effective measures to conscientiously resolve the problem during this autumn harvest and busy season.

1. Immediately carry out a general mobilization and become involved in ideological education at every level. For the procurement of such farm and sideline products as grain, cotton, oil and pigs, consideration must be given to convenience for the masses by formulating practical and realistic measures, establishing and perfecting a job responsibility system with assigned responsibilities at various levels, defining responsibilities, "agreeing on a three-point law," and having responsibilities for everyone. In the movements of farm and sideline products, we must stress an overall point of view, have the city support the countryside, the consumer areas support production areas, and adhere to unified management. We must advocate the communist spirit; and all concerned departments must give mutual support, strengthen unity, actively take on difficulties and give convenience to others.

2. Conscientiously do well in all preparatory work for procurement in the peak season. We must increase appropriate outlets in the procurement network, staff enough personnel, increase the number of platform scales and counters. Labor departments must give preferential and timely approval to temporary personnel needed in the countryside by grassroots procurement stations and rural storagehouses. We must tap the potentialities of storagehouses with every means, adopt the methods of moving, merging, squeezing, and adjusting stored items to increase utilization of storehouses and make space for the busy season. Packaging and loading of equipment must be prepared in time. Land needed by open-air storage and new temporary storehouses must be approved and fulfilled in time. We must stress the training of procurement and inspection personnel.

3. Do well in concrete and careful organization work. In the peak season of their prescribed sale to the state, key production areas of grain, cotton, oil and pigs must promote the advanced experience in appointment and planned sale, and must organize purchase in a planned and orderly way to save time for the peasants and avoid long lines. Production teams that carry out double-contract responsibility systems can mobilize and organize joint household sale, based on the voluntary principle, to economize labor and increase work efficiency. We must go down to communes teams, and production brigades and mobilize the masses, do well in the work of evaluating and examining storagehouses or service stations, operated by production teams and safeguard quality in prescribed sale. To prevent swelling of storagehouses and stoppage of procurement at the grassroots level, whatever that can go directly into storehouses should not be passed on again; and whatever that can be procured and moved at the same time should be organized that way. No area is allowed to restrict or cease procurement of the first and second categories of farm and sideline products, and all concerned departments must actively purchase and sell the third category of local and special products.

4. We must further open up market channels for commodity circulation firmly in accordance to the resolutions of the State Council and documents of the provincial government, expand the flow of industrial products to the countryside, and be sure to increase tangible results by the end of September.

5. Leadership and concerned departments at all levels must conscientiously strengthen leadership. In the peak season of procurement, particularly in counties and communes where contradictions are more concentrated, there must be responsible comrades to share responsibilities, divide and assign contracts, promptly control circumstances, and resolve problems. We must organize public security, communications and all departments in charge to become closely involved on the spot, coordinate closely, and lend mutual assistance and cooperation. We must treat peasants warmly, strengthen safety and local defense, and safeguard against accidents.

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CSO: 4006/024

## FOREIGN TRADE

### OPEN POLICY, FUJIAN'S ECONOMY DISCUSSED

Fuzhou FUJIAN RIBAO in Chinese 3 Sep 82 p 3

[Article by Zhang Ruiyao [1728 3843 1031]: "Open Policy Toward Foreign Countries Speed Up Economic Growth in Our Province"]

[Text] The 3rd Plenary Session of the 11th Party Central Committee established the adoption of an open policy towards foreign countries as a key policy for economic construction in China by utilizing foreign capital, introducing advanced technology in a planned way and strengthening the ability of self-reliance. It also approved Guangdong and Fujian Provinces to carry out special policies and flexible measures in the realm of foreign economic activities. Adherence to a foreign policy of maintaining independence and with the initiative in our own hands will surely gain time and speed for socialist construction and hasten the process of modernization in China.

Maintaining independence and keeping the initiative in our own hands and practicing self-reliance are our stand in the past, present, and future. However, our modernization program must utilize two kinds of resources, domestic resources and international resources; the domestic market should be developed first and China's role on the world market should come second; and two skills should be mastered, domestic economic management and foreign economic relations. Therefore, we must unswervingly carry out the open-door policy towards foreign countries and actively expand foreign intercourse on the basis of equality and mutual benefit. We all know that a basic characteristic of a large-scale socialized production is the expansion of exchange which has already developed from domestic to international exchange. Active development of foreign economic exchange can enable our resources to be most fully utilized and our skills to play their most ideal role thereby achieving the goals of economizing social labor and increasing the results of national economic construction. As natural and historical conditions vary from country to country, the amount of necessary labor spent on producing the same commodity vary. If a country uses its favorably produced goods to exchange for its unfavorably produced ones in the world market, it can obtain greater social wealth under similar social conditions of production. In any case, linking up with the world market, expanding foreign trade, introducing advanced technology, utilizing foreign capital, and developing diverse forms of international economic and technological cooperation are all using our own advantages to supplement our shortcomings through equal and

mutually beneficial international exchange in order to strengthen our ability of self-reliance.

In the 3 short years during which special policies and flexible measures have been implemented, the results in Fujian Province cannot be denied even though progress has not been great. In the recent 3 years, the yearly average increase of Fujian's gross value of industrial and agricultural output has been 9 percent, exceeding the national rate of 7.5 percent. Industry has annually grown at the rate of 10.1 percent, and agriculture has increased by 8 percent annually, which is greater than the national average. Foreign trade export in 3 years has doubled, with an annual increase of 26 percent. The accumulative total foreign exchange earned was equal to 80 percent of the total of the past 28 years. All parts of the province actively developed the processing with customers' materials, compensation trade and other economic and professional activities, arranging for employment and enlivening the domestic economy. Through operating jointly-operated ventures, cooperative production projects, international loans, issuing bonds and other diverse forms, we have absorbed capital from overseas Chinese and foreign countries, introduced advanced technology and equipment, transformed existing enterprises, and expanded production capacity. Particularly in the last year or two, we have stressed the construction of such basic facilities as airports, harbors, communications, electric power and other basic installations, creating conditions for developing economic interchange with foreign countries. We have been able to achieve such results because of these main experiences: First, we have closely combined the expansion of foreign economic activities and the development of our provincial economy; second, we have combined the use of foreign as well as overseas Chinese capital and the transformation of existing enterprises; third, we have combined foreign economic activities and creating conditions for developing production in our province and fourth, we have combined the expansion of foreign economic activities and the boycott against bourgeois contamination.

In developing foreign economic activities we must continuously sum up experiences, promptly master the skills to open up a new situation in an even more open area, and struggle hard to comprehensively initiate a new situation for socialist modernization.

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CSO: 4005/024

FOREIGN TRADE

PROGRESS REPORTED IN SHEKOU SPECIAL INDUSTRIAL DISTRICT

Guangzhou YANGCHENG WANBAO in Chinese 18 Sep 82 p 1

[Report by Gong Zhijin [7895 1807 3866]: "The Shekou Special Industrial District Rapidly Opens Up New Prospects"]

[Text] A new situation has started to appear in the Shekou Industrial District located in the west of Shenzhen Municipality and on the Shenzhen Bay. Three years ago this used to be a slumbering wilderness but now it is showing the embryonic form of an industrial port city opening to the outside world.

The Shekou Industrial District is operated by the China Merchants Steam Navigation Company in Hong Kong, and is a component part of Shenzhen, the first special economic zone in China. It has borrowed advanced foreign experience in planning and design, organizational setup, management and administration, and organization as well as construction, and has carried out daring reforms. The industrial district has a developed area of 1.3 square kilometers.

This reporter recently revisited the industrial district. Compared with the first visit over 2 years ago, the difference in appearance is highly unexpected. The roads are orderly, trees grow luxuriantly, and groups of new factory buildings rise from the ground. In the busy commercial district, newly constructed guesthouses, shopping centers and seafood restaurants are already in business. The residential district has also been exquisitely constructed. Other than the apartment style of housing, over 20 villa type of buildings have been constructed by the ocean. The basic municipal facilities have been fully completed with accessories. A waterworks that supplies 20,000 metric tons of running water daily (equivalent to the daily water supply for a medium size city of 100,000 people) and a central transformer station have been built, in addition to a microwave communications station that enables direct dialing to Hong Kong and Shenzhen. Below the newly constructed roads are flood drainage, telephone cables and other kinds of underground conduits. This reporter's impression here is that although a square kilometer or so of land is small, already it is "equipped with the five vital organs" and has come alive.

Every day passenger and cargo vessels operating between here and Hong Kong come and leave the harbor that can anchor ships between 3,000 and 4,000 metric tons. Vehicles of all sizes run endlessly along the 8-mile long branch

line that connects the Guangzhou-Shenzhen Highway. This newly developed industrial district is accessible in all directions. Through maritime transport via Hong Kong, it can link up all parts of the world and through highways it can connect with the Guangzhou-Shenzhen Railway, linking the extensive areas of the Chinese mainland.

Up to now the industrial district has formally signed 36 contracts with investors of Denmark, Switzerland, the United States, Hong Kong and other regions. Of these contracts, 24 are industrial projects. It has constructed 6 plants for machinery, ship paint, yachts, quarry and oxygen which are already in production. Ship paint, yachts and other products produced by these plants have started to be shipped abroad and have entered the world market. There are three plants trial-producing toys, synthetic materials and ocean-transport containers. Besides, a group of plants for iron and steel, aluminum materials, crackers, animal feed and flour are actively completing their facilities. It is estimated that by the end of next year projects with signed contracts will be mostly in production or in business.

The rent for land use available in the industrial district, the low land cost and other preferential conditions have attracted investors from abroad, Hong Kong and Macao areas. Up to now a total of HK\$400 million in foreign capital have been introduced, 80 percent of which have been put to use, and investors have already begun to reap economic benefits. After the Haihong Paint Plant, originally established in Hong Kong, moved to the Shekou Industrial District last year because of high rent and high production costs there, the plant site has expanded and output has tangibly increased. Because costs have decreased, the profit rate has also increased.

Since last year the China Merchants Steam Navigation Company in Hong Kong has started to realize returns on the investment in the development of Shekou. Last year in collecting fees for land use, fees for dock loading, and sale of standard factories, apartments and others, the industrial district has already obtained some income. The income this year will be even greater. Because the city's basic project of the "five tong and one ping" [0063 6639 0001 1627] has been finished, business income in the future will also greatly increase.

What deserves a cheer is that in the last 3 years the Shekou Industrial District has established a good reputation at home and abroad. According to information none of the several tens of contracts signed between the industrial district and businessmen abroad and in Hong Kong has been breached. In their negotiations with foreign businessmen they strive to be true to their words and are particular about their work efficiency to satisfy investors. The fast pace of operating the industrial district has been widely praised. A responsible official in Hong Kong said: It generally takes 4 years to build an industrial district of such scale in Hong Kong but it merely took Shekou over 2 years.

## FOREIGN TRADE

### UNEQUAL EXCHANGE IN INTERNATIONAL TRADE STUDIED

Dalian CAIJING WENTI YANJIU [THE STUDY OF FINANCE AND ECONOMIC PROBLEMS] in Chinese No 4, Oct 82 pp 51-58

[Article by Kuai Zhaode [5566 0340 1795]: "On Exchange at Unequal Value in International Trade"]

[Text] The question of exchange at unequal values is an important one in the sphere of international trade, and one that people frequently talk of. However, there are different opinions on it in academic circles in our country. How does the law of value play its role in international trade? What is exchange at unequal values in international trade? How is exploitation through exchange at unequal values to be measured? This article will attempt to study these questions tentatively.

#### I

The law of value is the basic law for commodity production and commodity exchange, as well as the basic law of the market. The more developed is the market in depth and breadth, the wider will be the scope of the role of the law of value. The main aspect and objective demands of this law are as follows: First, the amount of commodity value is determined by the amount of socially necessary time spent on its production. Second, commodities should be exchanged at equal value. Under crude conditions of commodity production, the ratio of commodities exchange should be directly based on their value. In other words, exchange of commodities is based on the value they embody. Under conditions of capitalism, the ratio of commodity exchange is based on a value which has been transformed into production price.

Exchange of commodities in accordance with their value is an objective demand of the law of value. This is true of commodity exchange within a country as well as between countries.

The classical economist, Ricardo, conducted his theoretical analysis of the international exchange of commodities long ago. In his famous work "Principles of Political Economy and Taxation," Ricardo used the exchange between British wool and Portuguese wine as an example:

	Wine, 1 unit	Wool, 1 unit
England	120 days	100 days
Portugal	80 days	90 days

From this table we can see: First, England required in varying degrees, more labor days than Portugal to produce wine and wool. The amount of labor required to produce wine was 50 percent more than in Portugal, but the amount of labor required to produce wool was only 11 percent more than in Portugal. Under these conditions; if England were to exclusively produce wool, while Portugal exclusively produced wine, the exchange of these products would result in mutual benefit. Second, the exchange of Portuguese wine for British wool should be between the rate of 1 unit of wine = 8/9 unit of wool and 1 unit of wine = 12/10 units of wool before there could be benefit for both parties. If the exchange rate for 1 unit of wine were down to 8/9 unit of wool, then England would be the only party to gain, while Portugal could not gain anything from the exchange. If, on the other hand, 1 unit of wine could be exchanged for 12/10 units of wool, then Portugal would be the only party to gain, while England could not benefit at all. The table further shows that if 1 unit of wine could be exchanged for less than 8/9 or more than 12/10 units of wool, then in the former case only England could benefit, while Portugal would suffer a loss instead of gaining anything. The result would be the reverse in the latter case. Third, as Ricardo correctly pointed out, in international exchange, "the products of the labor of 100 British people can be exchanged for the products of the labor of 80 Portuguese people." "This kind of exchange cannot possibly take place between individuals in the same country."<sup>1</sup> However, he concluded: "The law governing the relative value of commodities in one country cannot govern the relative value in exchange between two or more countries."<sup>2</sup> In other words, the law of value is applicable only to domestic exchange but not to international exchange. This conclusion is wrong.

Marx did not have time to include his exposition on the theories of international trade in the last part of his works, as he had originally planned.<sup>3</sup> Yet, from the occasional remarks in "Das Kapital," we can clearly see how the domestic value of domestic products can be transformed into international value. He said: "In every country, there is a certain average intensity of labor, below which the labor for the production of a commodity requires more than the socially necessary time, and therefore does not reckon as normal quality labor. Only a degree of intensity above the national average affects, in any given country, the measure of value by the mere duration of working time. This is not the case on the universal market, whose integral parts are the individual countries. The average intensity of labor changes from country to country; here it is greater, there less. These national averages form a scale, whose unit of measure is the average unit of universal labor. More intense national labor, therefore, as compared with less intense, produces in the same period of time more value, which expresses itself in more money."<sup>4</sup> Here Marx described how international value was formed and pointed out that in international exchange, the labor embodied in the products of various countries should be measured by using "the average unit of universal labor" as the universal yardstick. This is also true of the labor of individual producers for the domestic market, which is measured in terms of socially

necessary labor. Therefore, the national labor of a higher intensity in the same period can produce more value. Marx also pointed out: "On the world market, the more productive national labor reckons also as the more intense, so long as the more productive nation is not compelled by competition to lower the selling price of its commodities to the level of their value."<sup>5</sup> In other words, a country with high labor productivity can, within the same labor period, produce more commodities which are of greater international value. According to this line of reasoning, the smaller number of labor days in a country with high productivity and the greater number of labor days in a country with low productivity can be quantitatively equal when they are reduced to "average units of universal labor." That is, their international values are equal. Under such conditions, an exchange between them can still be called an exchange at equal value.

Therefore, provided their international values are equal, if we treat the exchange of less domestic value in a country with high labor productivity for more domestic value in a country with low labor productivity as an exchange of unequal values, we are actually ignoring the international value of the "average unit of universal labor" and thus also are ignoring the role of the law of value in the world market.

## II

What is the criterion for determining equal values or unequal values in international trade? Should it be the domestic value or the international value? I believe international value should be the criterion. Here some distinctions should be made.

For simplicity, we still want to use Ricardo's example, from which we can see that labor productivity in Portugal for both wine and wool was higher than in England. If there were only two countries--England and Portugal--in the world, the average unit of socially necessary labor on a world scale should be in between [the units for] these two countries.<sup>6</sup> Let us suppose again that the international value of 1 unit of wool is equal to 95 average units of universal labor--that is, the amount of universally necessary labor; and that the international value of 1 unit of wine is 104.5 average units of universal labor. Then, according to the law of value, each unit of wine exported by Portugal should be exchanged for 1.1 units of British wool. This is exchange at equal value. As far as England and Portugal is concerned, this means an exchange of 80 Portuguese labor days for 110 British labor days. However, it is incorrect to say that this is exchange at unequal value between England and Portugal.

Another condition, based on the same hypothesis, is that if 1 unit of Portuguese wine is exchanged for more or less than 1.1 units of British wool, and the exchange rate still remains between 8/9 and 12/10 units of wool, this is exchange at unequal value, and either England or Portugal has to suffer a loss. When the exchange rate for wine is less than 1.1 units of wool, England will benefit more. However, despite its loss from the exchange, Portugal can still gain some benefit through the saving of social labor in the country. If the exchange rate is higher than 1.1 units of wool, the results for England and Portugal will be reversed.

A third condition occurs when 1 unit of Portuguese wine is exchanged for British wool at a rate beyond the 8/9-12/10 limit. According to the theory of comparative costs, if the exchange rate lies beyond this limit, the exchange will cease, and either England or Portugal will withdraw from the cooperation in exchange and division of work by stopping exports to or imports from the other and then will develop its own production departments. Actually, however, on the basis of the international division of work already in existence, certain pressure from a certain party may force others to import or export some commodities even though these commodities will bring a loss. Under such conditions, exchange rates exceeding this limit not only are possible but also are being actually used in the development of capitalist foreign trade.

During the preparatory stage of the capitalist mode of production following the important geographic discoveries, the newly emerging bourgeoisie looted America, the West Indies, and the East Indies with "fire and sword" and traded trivial European products for the precious commodities of these local inhabitants. It also forced these regions to serve as the sources of raw materials and special products required in Europe. At that time, the world market was just born and the law of value was not yet playing its full role. International trade or international exchange of products was then a form of exchange at unequal values through violence and deception. Speaking of the East India Company's colonialist predation of India, Marx said: "The English East India Company, as is well known, obtained, besides political rule in India, exclusive monopoly of the tea trade, as well as of the Chinese trade in general, and of the transporting of goods to and from Europe. But the coastal trade of India and between the islands, as well as the internal trade of India, constituted the monopoly of the higher employees of the company. The monopolies of salt, opium, betal, and other commodities were inexhaustible mines of wealth. The employees themselves fixed the price and plundered the unhappy Hindus at will."<sup>7</sup> When Marx studied the history of merchant capital, he also pointed out: "As long as merchant capital promotes the exchange of products between undeveloped societies, commercial profit not only appears as outbargaining and cheating, but also largely originates from them/[passage in slantlines underlined]."<sup>8</sup>

The victory of England's Industrial Revolution marked the beginning of the era of free competition in capitalism. On the foundation of modern large-scale industry, a world market was built up with England as the center. The scope of the role of the law of value was gradually expanded, and exchange at equal values became a universal principle. By that time, on both the domestic and the world markets, the value of commodities and the prices as its form of expression were determined under conditions of free competition. Marx said: "The industrial capitalist always has the world market before him, compares, and must constantly compare, his own cost prices with market prices at home and throughout the world."<sup>9</sup> The international value of commodities is created through the free circulation of commodities and free competition. Among all independent countries, the exchange of commodities is constantly and largely carried out at equal values. Despite the different benefits resulting from different levels of economic development among the countries carrying out the exchange, the market prices fluctuate around the international value of the commodities. Because of political and economic coercion,

however, trade between the suzerain and its colonies and dependencies cannot go on in accordance with the principles of equal value. For example, England forced India to become the market for British textile products after the destruction of India's textile handicrafts. Again, after occupying Egypt, England forced it to supply cotton for the British textile industry, as we all know. British trade with China was the same. In the relationship of controlling and being controlled, the determining factor is usually of a political or military, rather than of an economic, nature. The law of value is compelled to play a secondary role.

By the end of the 19th and the beginning of the 20th century, capitalism entered the stage of monopoly. On the strength of their dominant position in economic life, the monopoly organizations could either raise the prices of the commodities they sold to a level over and above the international value--that is, high monopoly prices--or lower the prices of the commodities they bought to a point below the international value--that is, low monopoly prices. At that time, exchange at unequal value became a common phenomenon in international trade.

It should be pointed out that in the world market, the monopoly organizations cannot raise prices at will; they can raise them only to the highest level permitted by objective market conditions. In the first place, this is decided by the flexibility of the relationship between supply and demand, since a rise in prices will naturally lead to a decrease in demand, and there will be a contradiction between the increase in the profit per unit and the decrease in the volume of sales. The monopoly organizations can only increase their prices to the extent that the profit per unit, multiplied by the sales volume, will be equal to the maximum capacity of the market, which means the maximum amount of profits for them. In other words, the margin of increase in profits must be wider than that of the decrease in the volume of sales; otherwise, the total profit will decline and the driving up of prices by the monopoly organizations will become meaningless. Furthermore, absolute monopoly is impossible. As Lenin said: "Monopolies, which have grown out of free competition, do not eliminate the latter but exist over it and alongside it."<sup>10</sup> The competition among the large monopoly organizations and between the monopoly organizations and the "outside enterprises," and the struggle among the members of the organization and their struggle with the counter-monopoly forces, usually restrict or circumvent the efforts of these monopoly organizations to manipulate prices on the world market.

What are the causes of exchange at unequal values in international trade? Some comrades hold that the "basic factor" causing exchange at unequal values in international trade is the difference in labor productivity in different countries. This view deserves our discussion. It is true that in international exchange, as Ricardo said, "The product of the labor of 100 British people can be used in exchange for the product of the labor of 80 Portuguese people, 60 Russian people, or 120 East Indian people." Marx also pointed out: "The favored country recovers more labor in exchange for less labor."<sup>11</sup> However, the labor referred to here means the labor of individual countries and the domestic value embodied in the labor of individual countries, but not the

"average unit of universal labor," or the international value determined by the time that is required for commodities to be produced according to the average labor intensity and the average labor productivity in the world. Since the difference in labor productivity is a factor in the composition of international commodity value, it is therefore obvious that in the exchange of international values, the labor spent on the exchanged products in the two countries generally cannot be the same. For example, in the domestic market, equal amounts of socially necessary labor do not call for equal amounts of labor time from different producers. Similarly, in the world market, equal international values do not mean equal individual national values, and exchange or products under such circumstances is at equal instead of unequal values. Therefore, the difference in labor productivity among different countries by no means constitutes a "basic factor" in the exchange at unequal values. The absolute difference in the labor productivity of the same production departments in different countries can only help to raise or lower their own domestic value to a level higher or lower than the international value, while the relative difference in labor productivity in different departments can be one of the basic conditions for both parties' reaping the benefits of labor-saving for their own country through the exchange.

However, it should be pointed out that the country with higher labor productivity can obtain extra profits or surplus profits through international exchange. On this point, Marx has given a detailed explanation. He said: "Capital invested in foreign trade can yield a higher rate of profit, because in the first place there is competition with commodities produced in other countries with inferior production facilities, so that the more advanced country sells its goods above their value even though [the selling price is] cheaper than in the competing countries.... Similarly, a manufacturer who employs a new invention before it generally comes into use undersells his competitors and yet sells his commodity above its individual value--that is, he realizes the specially higher productiveness of the labor he employs as surplus labor. He thus secures a surplus profit."<sup>12</sup>

The commodities produced by countries with higher productivity can be sold on the world market at a surplus profit. So long as competition does not force the capitalists of these countries to lower their prices to the level of individual value--that is, domestic value--they can still maintain their surplus profit. On the domestic market, the surplus profits obtained by individual capitalists with their advanced technology are temporary; on the world market, however, since capital, labor power, and technology cannot be freely transferred, the surplus profits of the countries with high labor productivity can remain constant.

Where do these surplus profits come from? They have been converted from the value created by the laborers of the underdeveloped countries for the reason that the countries with higher labor productivity can sell their products at an international value that is higher than their domestic value, on condition that the underdeveloped countries can only sell their products at an international value lower than their domestic value. In individual international transactions, the gain of developed countries that have advanced technology

is not exactly equal to the loss of underdeveloped countries whose technology is backward. On the world market as a whole, however, the total gains of all the developed countries are equal to the total losses of the backward countries. In other words, even under conditions of the exchange of equal international values, which is advantageous to both parties in saving their own social labor, there is still an element of exploitation of backward countries by the developed countries. This is just as Marx pointed out: "Even according to Ricardo's theory, 3 days of one country can be exchanged against 1 of another country. Here the law of value undergoes an essential modification.... In this case, the richer country exploits the poorer one, even when the latter gains by the exchange."<sup>13</sup>

When two countries exchange their commodities at equal international values, their domestic values are not the same. Even when the exchange between the advanced and the backward countries takes place between the advanced and the backward countries at equal values, there still lurks an element of exploitation of the latter by the former. This is how the role of the law of value on the world market differs from its role on the domestic market. In other words, the law of value undergoes essential modification on the world market.

Exchange at truly unequal values refers to an exchange of values not based on the average unit of universal labor--that is, the amount of universally necessary labor--or an exchange at values much higher or lower than the international value. The basic cause of such exchange is monopoly.

In studying commodity prices, Marx listed as one of the three essentials for commodities to be exchanged at prices that approximately correspond to their values, the absence of a "natural or artificial monopoly that would enable either of the contracting sides to sell commodities above their value or to compel them to undersell." This is because monopoly can enable either of the contracting sides to sell commodities above their value or compel them to undersell.

Under the domination of the monopoly organizations, their industrial products are sold on the world market at high monopoly prices, which are equivalent to production costs plus huge monopoly surplus profits. The system of uniform world prices, used during the days of capitalist free competition, are seriously disrupted, and many price systems have appeared. In other words, the same kind of commodity can be sold at different prices in different markets, and this difference far exceeds the so-called "regional differential" or the transportation expenses, in order that maximum monopoly profits can be amassed. Through their investments in mining enterprises and in plantations, the large imperialist monopoly organizations control the market for local products and force down the procurement prices, sometimes even below local production costs. Through international trade, these monopoly organizations have used monopoly high prices and monopoly low prices like a pair of pincers for the bloodsucking exploitation of economically underdeveloped countries.

It must be emphatically pointed out that because of the close collaboration between the monopoly organizations and the political power of the imperialist countries, the monopoly organizations draw their strength not only from

their economic position but also from the political, military and other super-economic power of the state. Through various treaties and agreements and the control of foreign exchange, the imperialist countries usually sell their commodities at prices far above, and procure their raw materials at prices far below, the work market prices, thus further intensifying the inequality of exchange values. During World War II, for example, the U.S. and British governments restricted the import prices of raw materials and forced economically underdeveloped countries to sell their raw materials at almost the same prices as they did during the economic depression before the war. Furthermore, the loans granted could be kept only in London or New York in the form of foreign exchange reserves. After the war, when these underdeveloped countries had to use their foreign exchange reserves to buy what they needed, the British and U.S. governments lifted their price restrictions and adopted a policy of export controls. This gave the monopoly organizations the opportunity to increase their prices by a wide margin and to compel the countries that produced raw materials to buy the high-price industrial goods. Thus the countries producing raw materials suffered great losses. From the end of the war to the 1970's, when there was an upsurge in the struggle of Third World countries for the establishment of a new international economic order, the exploitation suffered by these countries from exchange at unequal values deepened markedly, according to the trend of changes in price parity in trade.

### III

Many economists at home and abroad have tried to calculate the extent of exploitation of the economically underdeveloped countries by the imperialist countries through international trade.<sup>14</sup> Despite the different methods used, the vast majority of the calculations are based mainly on the changes in the import and export price indices separately, or on the comprehensive changes of price parity in exchange, in addition to the exploitation in the intermediate links and price changes. From these calculations, they found the total amount of exploitation in a certain year and added up the total amounts of several years to arrive at the amount of exploitation in a certain period. I do not intend to explore the question of the methods of calculation, so I simply present several views on the amount of exploitation--views based on the concept of exchange at unequal values.

First, in the book entitled "Relation of Prices in Trade Between Underdeveloped Countries and Industrial Countries After the War," published by the United Nations in 1949, the losses suffered by the underdeveloped countries were calculated on the basis of price indices, or the import-export price indices of the countries concerned. The figures showed only the losses suffered by the underdeveloped countries from the relative changes of import-export prices by comparing them with the base period. These figures, however did not show the total losses resulting from exchange at unequal values, since they did not take into account the exchange at unequal values during the base period, or, more important still, the relative changes in the commodity values on both sides of the trade.

Second, the developing countries exported mainly industrial products, while the underdeveloped countries exported mainly agricultural and mineral products.

Since technological development is much faster in the processing industry than in mining or agriculture, the reduction in the amount of socially necessary labor for the production of industrial products is much faster than for the production of raw materials and food. In other words, based on exchange at equal values, the prices of industrial goods should be comparatively lower than those of raw materials and food.<sup>16</sup> From this, we can see that even though the price parity in trade remains stable, underdeveloped countries still have to suffer losses from exchange at unequal values. Furthermore, if the margin of change in the prices of industrial products exported by the developed countries in terms of the agricultural and mineral products exported by the underdeveloped countries is larger than the margin of change in the parity of trade prices, then any benefit for the underdeveloped countries brought about by the parity in trade prices will still deepen the exploitation of these countries through exchange of unequal values.

How can price changes in the exchange of products be estimated? According to current statistical data, we may be able to estimate them on the basis of labor productivity. At present, however, even the most complete statistical data in the most economically developed countries do not include comprehensive statistics on the changes in labor productivity among the industrial departments for exports to underdeveloped countries. Changes in the labor productivity of individual departments can be calculated, but they cannot represent all export industrial departments. Therefore it is possibly only to make rough estimates, which will unavoidably lead to errors. In the past several years, when the total volume of exports was more than \$1 trillion, the error was less than 1 percent.<sup>17</sup> Yet such a low percentage still meant several hundred millions of dollars. Worse still, statistics on changes in labor productivity among the agricultural and mineral departments for the exports of underdeveloped countries is practically nonexistent. It would be very unscientific for us to form our opinion of the overall situation on the basis of individual departments or individual enterprises.

Therefore, this factor can only enable us to study one aspect of the question. In fact, even an approximately accurate calculation is impossible.

Third, is it possible to calculate the total losses of the underdeveloped countries in a certain period--say one or two decades--by adding up the losses from the changes in the price parity each year? This is certainly possible from a purely mathematical point of view. However, all the indices, either for imports and exports separately or for the price parity in trade, are in round numbers, since, in the calculation, the figures after the decimal points are either omitted or rounded off to whole numbers. In other words, discrepancies of 0.1-0.5 units can occur. In view of the huge volume of exports in the world nowadays, even discrepancies of 0.2 or 0.3 units will make a lot of difference in trade value. If we want to estimate the losses in a certain year and show the general situation in the same year, the method of calculating on the basis of price indices for imports and exports separately can be used. However, if the figures, including the large discrepancies each year, are added up over a period of time, and even if each unit represents as little as 10 million dollars, it will still be difficult to tell how accurate these figures are.

Furthermore, in using indices of import and export prices and the trade price parity, there is also the problem of the trend of changes in the product mix over a long period. The book "Relation of Prices in Trade Between Underdeveloped Countries and Industrial Countries After the War" published by the United Nations in 1949 covers a period of more than 70 years, from the 1870's to the early postwar period. During this period, the product mix in international trade underwent great changes, and product varieties increased many times over. Since most of the commodities for international trade shortly before and after World War II did not appear in the 1870's, how can the price changes for these commodities in this period be calculated? Under the impact of the third scientific and technological revolution after the war, the varieties of commodities for international trade increased rapidly, and in the 1970's there were several thousands more varieties than was the case shortly after the war. How can we correctly choose the commodities that can appropriately show the price changes throughout this entire period? We should not use different base periods, different substances, or the method of proportion to convert the import and export indices into a progression for a long period. The UN statistics can only serve the purpose of general reference, since we can find out from them the general trend of price changes. As the principal data for meticulous calculations, however, they are not sufficiently accurate.

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The question of exchange at unequal value in international trade is fairly complicated in theory and calculation, and there are difficult points to be further discussed and clarified. I have therefore presented these views for the reference of research workers.

#### FOOTNOTES

1. Ricardo, "Principles of Political Economy," translated by Guo Dali [6753 1128 0500] and Wang Yanan [3769 0068 0589], Commercial Press, 1976, p 114.
2. Ibid., p 112.
3. In the Preface to "Critique of Political Economy," Marx said: "I examine the system of bourgeois economy in the following order: capital, landed property, wage-labor; the state, foreign trade, the world market." "Selected Works of Marx and Engels," vol 2, p 81.
4. Marx, "Das Kapital," vol 1, People's Publishing House, 1975, p 613-614.
5. Marx, "Das Kapital," vol 1, People's Publishing House, 1975, p 614.
6. This hypothesis is used for the sake of simplification. In fact, the same is true of any number of countries involved, because they can be classified into two categories: those whose labor productivity is above and those whose labor productivity is below the world average. Of course, there are individual countries whose labor productivity is the same as the world average, but this does not alter the conclusion reached.

7. Marx, "Das Kapital," vol 1, pp 820-821.
8. Marx, "Das Kapital," vol 3, p 369. Here, the term "undeveloped society" has been translated "undeveloped community" [gong tong ti 0364 0681 7555] in Chinese.
9. Marx, "Das Kapital," vol 3, p 376.
10. Lenin, "Imperialism, the Highest Stage of Capitalism," pp 79-80.
11. Marx, "Das Kapital," vol 3, p 265.
12. Marx, "Das Kapital," vol 3, pp 264-265.
13. Marx, "Theories of Surplus Value," vol 3, p 112, People's Publishing House, 1975. In a speech "On the Question of Free Trade," delivered in Brussels in 1848, Marx made these thought-provoking remarks: "If the freetraders cannot understand how one nation can grow rich at the expense of another, we need not wonder, since these same gentlemen also refuse to understand how, within one country, one class can enrich itself at the expense of another." ("The Poverty of Philosophy," p 223, New York, 1963).
14. Marx, "Das Kapital," vol 3, pp 198-199.
15. Kollatai, "Imperialist Countries Squeezing Profits Out of Underdeveloped Countries," GUOJI WENTI YICONG [INTERNATIONAL PROBLEMS TRANSLATED], No 14, 1959.  
Sandalov, "Imperialist Countries Struggle for Raw-Material-Producing Land," pp 40-54, World Knowledge Press, 1958.  
Pei Juo [0160 3157], "U.S. Imperialism" pp 57-63, 1950's Publishing House, 1953.
- Xu Naijiong [1776 0035 8741], "A Preliminary Study of the Theories and Methods of Calculation Used in Exchange at Unequal Values Between Imperialist Countries and Underdeveloped Countries."
16. This has been pointed out by bourgeois economists. For example, John Stuart Mill said: "Because of the growth of population and industry, the exchange value of industrial products compared with that of agricultural and mineral products shows a certain distinct downward tendency." (J.S. Mill, "Principles of Political Economy," p 254, London, 1909.) Ricardo also pointed out: "From manufactured commodities always falling and raw produce always rising, at length such a disproportion in their relative value is created, as society progresses, that in rich countries a laborer, by sacrificing only a very small quantity of his food, is able to provide liberally for all his other wants.") Ricardo, "Principles of Political Economy and Taxation," p 81, translated by Wang Yanan and Guo Dali, Commercial Press, 1976.

17. The volume of world imports and exports each exceeded 1 trillion dollars in 1977, and further increased in 1980 to 1,873,000,000,000 and 1,870,300,000,000 dollars, respectively. INTERNATIONAL MONETARY STATISTICS, March 1982.

9411

CSO: 4006/108

TRANSPORTATION

CHINA'S FIRST DOUBLE-TRACK ELECTRIFIED RAILWAY OPENS

Beijing GONGREN RIBAO in Chinese 30 Sep 82 p 1

[Text] China's first double-track electrified railroad, the Shijiazhuang-Taiyuan line, formerly opened on 29 September. At 9:30 am that day, the first electric train, covered with ribbons, slowly moved out of Taiyuan Station in the direction of Yangchuan.

This electrified line begins at Shijiazhuang, the provincial capital of Hebei, and ends at Taiyuan, the provincial capital of Shanxi. It is 235 kilometers long. Work to electrify this line, one of China's major construction projects, began in 1975. The section from Shijiazhuang to Yangchuan, 117 kilometers long, opened to traffic in September 1980. Ground breaking for the section that connects Yangchuan with Taiyuan, which has just opened to traffic, began in May 1978. Some 5,000 workers worked on this last section of the Shijiazhuang-Taiyuan line and completed it 3 months ahead of schedule.

The Shijiazhuang-Taiyuan railline is one of the central routes by which coal is shipped out of Shanxi Province. It is frequently used by the state-operated collieries in Yangchuan, Xishan, Fengxi, and Xuangang and by the commune- and brigade-operated collieries in Jinzhung and Yangchuan for outgoing coal transportation. Electrification of this double-track railway will further stimulate coal production in Shanxi Province and speed up the shipping of coal from this province.

9055

CSO: 4006/076

## TRANSPORTATION

### SUBWAY CIRCLING CITY OF BEIJING IS COMPLETED

Beijing GONGREN RIBAO in Chinese 30 Sep 82 p 2

[Text] On the eve of National Day, the national capital had some good news to report about its construction industry: the basic completion of the stupendous project of a subway that circles the city of Beijing. Inspection of the entire project prior to its dedication is still proceeding. Some sections of the subway have already passed inspection.

The Beijing circle line starts where the first-stage project left off. It follows the circuit where the ancient city wall used to run. Beginning at the point where it connects to the first stage of the project, it measures 16.1 kilometers in total length, with 12 stops. Counting the section running from the Changchun Street Station to Beijing Station, a section that had been constructed during the project's first stage, the total length is 23.1 kilometers. The time needed to make a round on this city-girdling subway is about 35 minutes, which is only half the time for a bus to travel the same route. The subway can move more than 43,000 people each hour in each direction.

On 23 September, reporters were invited to see the operation of the electronic "nerve center," located at the Xizhimen Station. Zhao Jingming [6392 2529 6900], the engineer operating the computers, told reporters that once the travel plans of the subway trains are programmed into the computers, the computers will do the job of dispatchers in opening and closing the rail switches at the various stations and turning the signal lights on and off as needed. Such a high degree of automation is unmatched by any other rail system in the nation.

The rate of construction of the Beijing circle line picked up, following the holding of the Third Plenary Session of the 11th CPC Central Committee. The triumphant opening of the 12th CPC Congress further heartened the workers laboring on the project. To make sure that the western section of the subway would pass inspection and be dedicated before National Day, the commanders and fighters of a certain engineer corps and the regular staff and workers of the subway project worked nonstop for 10 days and nights. Liu Fengwu [0491 7364 2976], an electrical engineer and a member of the CPC, discovered

a short circuit in the signal system at Fuchengmeng Station. Assisted by another worker, he went through over 10,000 wires in a 24-hour period and found the problem wire. His unit was responsible for the installation of signal systems for four stations and one section of the subway. All of them passed inspection the first try.

9055  
CSO: 4006/076

## TRANSPORTATION

### PLANS TO DREDGE, WIDEN GRAND CANAL REPORTED

Nanjing XINHUA RIBAO in Chinese 10 Sep 82 p 2

[Text] "The key to the opening of a new vista in the transportation of Jiangsu Province lies in the harnessing of the Grand Canal and the reinvigoration of river navigation." Zhou Chimin [0719 6375 3046], vice commander of the Grand Canal's Jinghang Section extension project and the Jiangsu provincial commissioner of transportation, told reporters the day before yesterday in an interview, after he had studied the documents issued by the 12th CPC Congress.

Comrade Zhou Chimin pointed out that development of energy and transportation has been singled out as a main focus of strategic significance in national economic development over the next 20 years. While inspiring a sense of pride in all of us, this also places a heavy responsibility on our shoulders. It has not escaped our notice that the present communication and transportation capacity and its rate of development in Jiangsu Province are not keeping up with the pace of economic development in the province. The way out of our present transportation bottleneck seems to lie in the greater use of the waterways of our province.

Why do we have to expand river transportation capacity now? He explained that, compared to rail and highway transportation, river transportation can move a larger volume, costs less, and consumes less energy. A 1,000-ton boat fleet has the cargo capacity of 200 "Liberation model" heavy-duty trucks combined, but its operating cost and its energy consumption per unit weight of cargo are only one tenth those of trucks. Jiangsu Province is downstream on the Changjiang and not far from the Huanghe water system. It also has a long coastline. Crisscrossed by rivers and lakes, the province boasts a total length of 23,000 kilometers of navigable waterways, longer than any other province in China. Of the 75 cities and counties in the province, 71 are linked by navigable waterways. Of the 2,000 communes and townships, 75 percent can use river transportation. What is more, the rivers and lakes of our province, well fed by steady precipitation, have stable water levels and are navigable all year round. The Changjiang is deep and wide. Thousand-ton ships can reach five provinces and one major metropolis upstream. The use of coastal waters is also unlimited. From such inland ports as Nanjing and Nantong and such seaports as Zhangjia port and Liangyun port, a 10,000-ton ocean-going fleet can reach all other seaports of China and all major

harbors of the world. In addition to the immense natural potential for developing waterborne transportation, 200,000 staff and workers already are working for transportation over water, operating a tugboat force totaling 200,000 horsepower and a cargo fleet totaling 870,000 tons. It is clear that in the entire transportation picture, water transportation offers the brightest promise for Jiangsu Province. How to fulfill this promise and make it even brighter holds the strategic key to improving a transportation mode that requires small investment and yet brings fast returns, as well as to stimulate overall economic development in the province.

How can we breathe life into water transportation? Comrade Zhou Chimin said the key lies in harnessing the Grand Canal.

He pointed out that the Grand Canal has always played a vital role in the river transportation of Jiangsu Province. It runs parallel to the Jinpu and Funing rail lines and crosses the Qiho, Lunhai, and Fuhang rail lines. It connects with all the tributaries and lakes in the Huaiho, Yangtze, and Qiantang systems and the Tai Lake waterways. It has been a major water route running north and south for the coastal regions in eastern China. Its northern section extends into coal, petroleum, and salt-producing areas. Its southern end touches commercial grain-producing areas and industrial concentrations of Jiangsu and Zhejiang provinces and Shanghai city--areas which are, nonetheless, energy hungry. With the development of the national economy, transportation needs for coal, industrial products, and agricultural staples and supplements are expected to rise sharply. Right now the Jinpu railroad, especially its southern section, the Funing railroad, and the Fuhang railroad are already overtaxed. Delays are frequent. Therefore, there is an urgent need to put the Grand Canal to fuller use in diverting some cargo loads from the above-mentioned rail lines, to quicken the flow of cargo through the waterways in the Huaihe and the Changjiang and the Tai Lake water systems connected by the Grand Canal, and to speed up freight movements in all directions--northbound, southbound, eastbound, and westbound.

However, due to a number of problems, such as poor construction of water locks in the canal, damage to unfinished projects, intrusion of illegal structures into the canal, and the pouring of industrial pollutants into the canal by factories along its way, among other things, the canal has become narrow and clogged. Its navigability has been greatly reduced. Traffic jams, even closings of certain sections of the canal, are frequent. This is the reason why river transportation in Jiangsu Province is in such bad shape now. Thus, widening and dredging of the canal to increase its navigability and its cargo-moving capacity constitute the key to our positive response to the sentiments expressed by the 12th CPC Congress and our efforts to reinvigorate river transportation. It will constitute a major link in the effort to reinvigorate river transport nationwide.

In an excited tone, Comrade Zhou Chimin told reporters that the canal project will bring about remarkable economic results.

He revealed that a directive from the State Council called for completion of the canal project section by section, stage by stage. During the Sixth Five-Year Plan period, work will concentrate on the 400-kilometer stretch between Xuzhou and Yangzhou. More locks will be constructed to permit two-way traffic. Coal handling facilities of the river ports in this stretch will be rebuilt or expanded. The canal bed will be dredged. Projects will be undertaken to guide the flow of water to the north. During the Seventh Five-Year Plan period, construction of locks will continue and all service facilities will be completed. When this is done, the navigability of the canal will rise from the present 4th grade to the 2nd grade. River freighters of 2,000 tons will be able to travel this 400-kilometer stretch freely. The one-way cargo-moving capacity will reach 30 million tons, matching the capacity of the Jingpu railroad. This year's schedule calls for the completion of the Huai'an and Suqian locks, a water-regulating dam, and cuts at Huai'an and Jieshou. After the autumn harvest, large numbers of civilian workers are expected to come to the worksites along the canal to raise the curtain on the canal project!

Upon the completion of the canal project, the ancient Grand Canal will take on a modern look. It will assume an important role in invigorating transportation and speeding socialist modernization in Jiangsu Province!

Then Comrade Zhou Chimin concluded: "The canal project will be a mammoth project. There is a lot of work involved. I hope all departments concerned will cooperate and work in concert to ensure that the work will meet every exacting standard and that the project will be completed right on schedule." For now, we fervently hope that the leadership bodies of the various prefectures concerned will lend their support to the project, work hand in hand in a cooperative spirit of true communists, arrange for civilian workers to arrive at the worksites on time, and provide all necessary logistic assistance in order to win the first battle in harnessing the Grand Canal.

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## TRANSPORTATION

### TIANJIN HARBOR SETS RECORD FOR CEMENT UNLOADING SPEED

Tianjin TIANJIN RIBAO in Chinese 24 Sep 82 p 1

[Text] The inspiration of the 12th CPC Congress lifted the spirits of the staff and workers at the No 5 operating zone of the Tianjin Harbor Bureau and heightened their work enthusiasm. In only 10 days, from the evening of 8 September to 18 September, they unloaded 21,000 tons of imported cement from two ships, thus cutting the normal unloading time by 10 days and setting a new record for efficiency.

The No 5 operating zone is responsible for unloading imported cement. To help Tianjin meet its 1982 target of completing 4.5 million square meters of new buildings, the zone planned to unload 48,500 tons of imported cement from five ships in September, twice as much as was unloaded in August.

Since the triumphant opening of the 12th CPC Congress, party organizations at all levels of the Tianjin Harbor Bureau have organized cadres, staff, and workers to seriously study the documents being issued by the Congress and have, at the same time, made preparations for the efficient unloading of cement. For example: (1) One special berth is reserved for the unloading of cement. Unloading begins as soon as a ship is berthed. There is no waiting time. (2) Coordination with trucking departments is strengthened so that the unloaded cement is quickly hauled away, further shortening the unloading time. (3) Rough handling is prohibited, so as to reduce damage to the cement bags. (4) Bonuses are awarded with each single ship unloaded; these bonuses are based on efficiency, performance, and safety.

At 2 pm on 8 September, the first 10,000-ton cement ship was berthed. Unloading began at 6 pm. The Transportation Bureau, aware that quick haulage would reduce berthing time, immediately sent 300 trucks to begin haulage. In 5 days, the ship was completely unloaded and its cargo trucked away. The efficiency in unloading the ship, loading the trucks, and haulage, as well as the quality of the work, was three times higher than before.

Right now, the staff and workers of the No 5 operating zone are busy unloading other ships, confident that they can fulfill their September unloading target and that they can do it faster and better than before.

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CSO: 4006/076

TRANSPORTATION

NEW TWO-LANE HIGHWAY IN YUNNAN SHOULD REDUCE ACCIDENT RATE

Kunming YUNNAN RIBAO in Chinese 5 Aug 82 p 1

[Text] A new two-lane highway connecting Lufeng and Yipinglang was opened to traffic on 1 August.

This road has been broadened from an existing highway that was a section of the highway built during the war against Japan and that connects Kunming and Wanding cities. In recent years, as a result of the steady development of industrial and agricultural production, the traffic volume had reached 2,000 cars per 24-hour period. The roadbase was narrow, the curves sharp, and the visibility of oncoming traffic poor. These factors contributed to a steady increase in traffic accidents. To correct this problem, the Yunnan provincial people's government approved a recommendation to broaden and repave one section of a deserted railroad that ran parallel to the existing highway on the other side of the river, [and make it] into a third-class highway. Construction began in 1979 and was basically completed this July. A subsequent inspection rated the roadwork as being excellent.

This new section is 21 kilometers long and is currently paved with mud and pebbles. It will be repaved with asphalt late next year. A project to improve the old section is scheduled for 1984. For the time being, traffic going from Lufeng to Yipinglang will use the newly built section, while traffic going the other way will use the old section.

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## TRANSPORTATION

### JIANGSU DEVELOPS NEW OVERSEAS SHIPPING INDUSTRY

Nanjing XINHUA RIBAO in Chinese 24 Aug 82 p 1

[Article: "This Province Gradually Develops a New Overseas Shipping Industry"]

[Text] This province's overseas shipping industry has emerged and grown from small size to large size in the last 3 years. Currently the Jiangsu Province Overseas Shipping Industry has 6 ships and a shipping capacity of more than 40,000 tons. It has opened 6 overseas routes and has already created more than US \$6 million in foreign exchange.

Since the Third Plenary Session of the 11th Central Committee, our province has implemented the party's policy of opening to foreign trade and invigorating domestic markets, and its foreign trade activity has expanded, with transport tasks for import and export of goods and materials gradually increasing. In order to meet this need, the province's local communications and transport departments strove to develop a new situation in overseas shipping. In the short 2 years since 28 February 1980, when our province's first seagoing freighter, the Yuhua, made its first voyage to Hong Kong, we have put 5 new ships, the Huaian, the Jiang'an, the Xuanwu, the Huding and the Longtan, into operation and have opened shipping routes from Nanjing to Hong Kong, from Zhangjiagang and Nantonggang to Hong Kong, from Xiangjiagang to the Philippines, from Zhangjiagang and Nantonggang to Japan, from Lianyungang to Japan and from Zhangjiagang to Singapore.

These new shipping routes have promoted our province's foreign trade and have yielded rather good economic results. In the past, our province's export commodities were all shipped abroad via Shanghai, and it was always difficult to move them. Now this province's foreign trade goods are dispatched from within the province, moving directly from our river and sea ports to Hong Kong, Japan, Singapore and the Philippines, which has greatly decreased shipping time. For example, in the case of cement shipped to Hong Kong, the average time required for transfer shipment through Shanghai was 30 days, while now only 10 days is required. In addition, direct shipment of this province's foreign trade commodities on ships belonging to the province's overseas shipping company has eliminated transfer links, decreased breakages losses, and greatly decreased shipping costs. Compared with the

past situation, there is a saving of 40 percent on the shipping cost of each ton of foreign trade commodities.

As of this July, the freighters of the province's overseas shipping company have safely completed 97 trips and carried more than 380,000 tons of foreign trade goods, creating more than US \$6.6 million in foreign exchange.

As a result of more than 2 years' experience, our province's overseas transport contingent\* is gradually maturing and is continually implementing the policy of opening to foreign trade for our province, further developing overseas transport, and has developed technical capabilities.

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## TRANSPORTATION

### JOINT MANAGEMENT OF TRANSPORT ENTERPRISES GIVES GOOD RESULTS

Jinan DAZHONG RIBAO in Chinese 26 Aug 82 p 2

[Article: "Joint Management, Rational Transport, Increased Output and Profit"]

[Text] Jining Prefecture's highway transport system has instituted joint management of state-run and collective enterprises, achieving rational transportation and realizing increased output and profits. In the first half of this year, its transport volume and turnover were up 34.8 percent and 55.2 percent respectively from the same period last year. The profit realized by the state-run enterprises was up 64.2 percent from the same period last year, while that of the collective enterprises was up 26 times.

For a long time this prefecture's state-managed transport enterprise and the counties' and cities' collective transport enterprises had dispersed management, were systems unto themselves, and competed with each other for sources of goods and routes; the automotive transport empty trip rate was high, waste of transport capacities and energy was great, and economic effectiveness was falling steadily. Last August, with the proviso that the ownership systems, ownership of fixed assets and financial channels would be unchanged, and on the principles of specialization and cooperation and equality and mutual benefit, they organized a joint enterprise to carry out unified leadership and joint management, level-by-level management, and assure economic mutual benefit; the state-run and collective enterprises kept separate accounts and each bore its own profits and losses. This both solved many past conflicts of dispersed management and stimulated enterprise activism, promoting the development of transport work. A year's experience has shown that joint management has several advantages, as described below.

1. Unified leadership has increased the unity and cooperation of the state-run and collective enterprises. Before joint management, as a result of a lack of unity in leadership relationships, work was not coordinated, they were not in step, and there was even suspicion and jealousy. After joint management was instituted the state and collective enterprises became one family with unified leadership and common economic interests. They eliminated the barriers between them, increased their unity, and performed their

specialized transport functions better. At the beginning of this June they received the emergency assignment of moving 1.5 million emergency sacks from Yutai County to the Jining railroad station, which had to be completed by the end of the month. Yutai has inadequate transport facilities, and accordingly the vehicles of the counties' transport enterprises were dispatched to make more than 500 trips, completing the task ahead of schedule.

2. Unified allocation of goods for transport has increased transport efficiency. Before joint management, frequently one enterprise would seize, monopolize the sources of goods for haulage, and then would be unable to carry them all, while the other enterprises would be idle with nothing to transport; one enterprise's vehicles would be making empty runs in one direction, while the other's vehicles would be making empty runs in the other direction; such irrational circumstances decreased transport efficiency. After joint management was begun, unified management of goods for transport was instituted, with unified issuing of assignments and unified balancing and organization. The vehicles of the state-run and collective enterprises were dispatched according to a unified plan and their loads were allocated in rational fashion, which decreased waste from empty runs and increased transport efficiency. In the first half of this year, the monthly output per vehicle-ton of the trucks reached 3,886 ton-kilometers, up 19.2 percent from the same period last year.

3. Unified supply of fuels and lubricants decreased consumption. In the past, because the transport enterprises had different fuel and lubricant supply channels and distribution was irrational, there was high consumption and much waste. After joint management was instituted, the prefecture branch of the companies, with the support of the relevant departments, carried out unified distribution in terms of the size of transport assignments, the number of vehicles and the priority of the tasks, which resulted in rational utilization and decreased consumption. In the first half year the state-run enterprises saved more than 110,000 liters of fuel, an increase of 53.2 percent over the saving in the same period last year. The collective enterprises saved more than 80,000 liters of fuel, and unit consumption was 6.1 percent below the specified target value, in addition to which every unit posted a saving.

4. The unified management system improved management quality. In the past, many collective transport enterprises had poor management, resulting in high costs and low profits. After joint management was instituted, they generalized and disseminated the state-run enterprises' management experience and methods, instituted such management methods as major overhaul funds, tire funds and vehicle depreciation, drew up unified systems for tire management, fuels and lubricants management and technical management and the like, so that enterprise management gradually moved onto the right track and rather great changes were made in the situation in the enterprises. In the first half year the collective enterprises' average serviceable vehicle rate reached 81.5 percent, up 1.2 percent from the same period last year, while

the average cost per thousand ton-kilometers fell by 6.85 percent from the same period last year.

Overall planning and organization, mutual assistance and joint development were improved. After joint management was instituted, because of the limited resources of the collective enterprises, the state-run enterprises actively supported them and helped them with loans to buy 90 new vehicles, allocated gasoline aid to collective-enterprise brigades, sent experienced, capable cadres to help reorganize the enterprises, and held training classes for management personnel. The collective enterprises also actively supported the state-run enterprises. They took advantage of strong points, compensated weak points, and gave each other assistance in order to achieve joint success in transport work. In the first half year transport output had improved considerably in both the state-run and collective enterprises, considerably, they both had ceased to have money-losing brigades and brigades that failed to meet their quotas, and the monthly output per vehicle-ton increased an average of about 1 ton-kilometer over the same period of the previous year.

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## TRANSPORTATION

### BICYCLE SUPPLY-DEMAND PROSPECTS EXAMINED

Tianjin TIANJIN RIBAO in Chinese 8 Jul 82 p 2

[Article: "Bicycle Supply and Demand Prospects"]

[Text] Bicycles have already become an essential means of transportation in this country, and in the countryside they are also a means of short-haul transport, so that people in both the cities and the countryside are very fond of them. For many years bicycles have been scarce commodities on the market. From 1975 to 1980 the output of bicycles increased from 6.23 million to 13.02 million, an average annual increase of 1.09 times over the 5 years. In spite of this rapid increase in output, the masses' steadily increasing demand still cannot be met. Obviously the market demand for bicycles has grown rapidly in recent years. But how long can this rapidly increasing demand persist? What changes will occur in the market with regard to quantities, quality, and styles and varieties of bicycles? These are questions to which the departments and enterprises concerned with bicycle production are giving great attention.

Bicycles are durable goods with a long lifetime, and accordingly the market demand is determined not only by the people's purchasing power but also by the level of ownership in society. In 1981 the level of bicycle ownership was about 111.5 million, an average of one bicycle per 9 persons. This consumption level is not high compared with those in some industrially developed countries of Europe and America (one bicycle for each 2 to 5 persons). There is also wide variation in bicycle ownership from place to place. Surveys indicate that urban bicycle ownership amounts to one bicycle for every 3.1 persons, while the rural average is 1 bicycle for every 15.6 persons. Thus it is apparent that our country still has great potential for bicycle consumption and that the rural market is particularly extensive. It is forecast that in the next 2 or 3 years, as the people's purchasing power increases, market demand will also increase considerably. But we must also bear in mind that with the passage of time and the continual increase in the ownership level, there will be changes in market demand. Statistics indicate that in 1981, output of bicycles reached 17.45 million, up 4.43 million from the 1980 figure of 13.02 million. If bicycle output increases at this rate for the next few years, by 1985 the social ownership level will break the 100 million mark, with an average of 1 bicycle for about every 5 persons.

Calculated in terms of the number of persons able to ride a bicycle (between 16 and 65 years old) this will be an average of about 1 bicycle for about every 3 persons. When this consumption level is reached, it is forecast that the market supply situation will ease greatly. There will be competition between brands, varieties and plants. The first indications of this situation have already appeared. Although overall the market supply of bicycles is quite tight, there are some respects in which it is not very tight. In terms of brands, name brands are supplied on a coupon basis, while ordinary brands are largely supplied without restriction; in terms of varieties, heavy 28-inch bicycles and light 26-inch bicycles are in short supply, while small-wheeled bicycles are not selling well; in terms of areas, there is a serious shortage in the countryside, while the situation is easier in the cities. To summarize, as the contradiction in numerical terms gradually eases, the consumer's selectivity with regard to bicycle quality and colors and designs will gradually increase, and high-priced, lower-quality products will be eliminated. As a result, when studying the development of bicycle production we must be circumspect, guarding against blind expansion so as to avoid losses.

First, we must increase the planned character of production expansion. Bicycles are a commodity which is included in the state production and sales plan, and plan regulation must take precedence. Last year, on the basis of market forecasts, the relevant state departments drafted the main points of a bicycle program for 1981-1985 as guidance for the development of the bicycle industry. But it is worth noting that the development of bicycle production is still proceeding somewhat blindly in some areas, beyond what is specified by the unified state program, with duplication of facilities, unauthorized expansion of production scale, and excessive investment. If this circumstance is not quickly set to rights, in a few years, when market supplies become less tight, some enterprises will run into difficulties in production and may even be in danger of having to shut down or retool. Accordingly seven departments, including the State Planning Commission and the State Economic Commission jointly published a circular this January repeating that the unified state program and the relevant provisions must be conscientiously adhered to and declaring that administrative and economic measures must be taken to put a stop to blind expansion by unauthorized enterprises so as to assure that the bicycle industry will have planned, healthy growth.

Second, we must continually increase the output of saleable products. In view of the extent of the rural market, in the future we should energetically develop heavy 28-inch bicycles. In the country these bicycles are called "donkeys that do not eat straw," and are much welcomed by the peasants. Last year, in order to adapt to rural demand, many plants began or expanded the production of heavy 28-inch bicycles. They achieved results; nationwide the output increased from a figure of 5.8 million in 1980 to 7.53 million in 1981, an increase of 30 percent, accounting for 43 percent of total output. The commercial departments wish to increase this proportion still further,

and this is worth considering. The industrial departments should make an effort in this direction and should vigorously develop new load-carrying bicycles which are even better suited for riding on country roads and for transporting goods. Bicycles for urban use are moving in the direction of lightness, high speed, attractiveness and safety, and it is primarily the light 26-inch bicycles whose output is expanding. Because they are light, they are fast and easy to ride, and are increasingly in demand by urban consumers. In addition, we should suitably expand the production of light 28-inch platform bicycles. The market for small-wheeled bicycles is limited and their production should not be expanded. To summarize, we should organize the production of various designs and varieties of bicycles in terms of urban and rural market demand, and should strive to produce marketable bicycles and improve economic effectiveness.

At this point we should like to note briefly that Tianjin is an old base of the bicycle industry, it has a strong technical sapability, its equipment is advanced, its product quality is good, and its Feige brand bicycles are a name brand product which sells well throughout the country and has some reputation abroad as well. Accordingly, in the future it should focus on developing high-and medium-quality varieties and continuously develop new products in order to supply nationwide markets and expand export.

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CSO: 4006/646

## TRANSPORTATION

### BEIJING RAILWAY BUREAU SPEEDS UP COAL TRANSPORTATION

Beijing BEIJING RIBAO in Chinese 20 Sep 82 p 1

[Text] Leading members of the Beijing Railway Bureau party committee studied and discussed the documents issued by the 12th CPC Congress and reflected on their significance with regard to rail transportation. They were determined to assume a new profile in further streamlining transportation, speeding up the movement of coal, and making a greater effort to help in the achievement of a larger horizon for the socialist modernization drive in the whole nation.

The Beijing Railway Bureau is responsible for the rail transportation of Beijing and Tianjin cities and Hebei, Shanxi, and Shandong provinces. It handles 10 percent of the nation's train passengers, 20 percent of the nation's railway cargo, and 25 percent of the nation's coal. In his report to the Congress, Comrade Hu Yaobang pointed out that the emphasis on national economic development will be strategically placed on the development of energy resources and transportation facilities. By the end of this century, China's total value of industrial and agricultural production is expected to double. This means that the passenger, freight, and coal volumes to be handled by the Beijing Railway Bureau will also double. Leading members of the bureau's party committee look forward to such increased responsibilities with a sense of pride and are determined to do a good job. While discussing the documents of the 12th Party Congress, they also reviewed the 1982 transportation targets and felt confident that they could successfully fulfill the coal-movement targets. In the first 8 months of this year, the bureau, despite some maintenance problems experienced with certain trunk lines, was able to move out 70.78 million tons of coal, or 4.85 million tons more than the same period last year, and fulfilled 69.4 percent of the 1982 target. Of this tonnage, 41.25 million tons was moved out of Shanxi Province, representing 70.5 percent of the total tonnage to be shipped out of Shanxi in 1982. This amount was up by 2.25 million tons from the comparable period last year. In September, after the opening of the 12th Party Congress, the staff and workers of the Beijing Railway Bureau were in a state of elation. Displaying a revolutionary enthusiasm and working in a more organized manner, they dispatched the large number of empty cars needed into the coal mines to bring out the coal. From 1 until 10 September, 5,551 cars of coal, or 251 cars more than were planned, were shipped out every day.

The Beijing Railway Bureau party committee is also determined to further promote the "people's railroad for the people" activities as a means of enriching the spiritual life of the nation.

## TRANSPORTATION

### TRANSPORT SITUATION IN HEBEI DESCRIBED

Shijiazhuang HEBEI RIBAO in Chinese 1 Sep 82 p 1

[Article: "Transport Situation on the Communications Front Is Excellent"]

[Text] In the first 7 months of this year, the quantity of motor, barge, steamer and local railway transport in the province's transport departments reached more than 29 million tons, and freight turnover was more than 1.47 billion ton-kilometers, which constituted increases of 24.3 and 9.4 percent respectively from the same period last year. Highway passenger transport reached a total of 46 million persons and the passenger turnover rate was 1.965 billion person-kilometers, representing increases of 8.2 and 8.8 percent from the same period last year. At the same time, because of energetic efforts to improve economic effectiveness, transport costs fell, and the communications enterprises subordinate to the province realized profits 82.9 percent higher than in the same period last year. Transport service quality and safety were also improved.

The publication of the report of the party's Seventh Plenary Session further stimulated the employees' labor enthusiasm. They conducted a labor competition, and in connection with the September "quality month" activities they conducted large-scale propaganda, inspection and rectification activities on the themes of observance of law and discipline, rectification of labor discipline and communications procedures, and improvement of loading-unloading and transport quality; they resolved once again to step up their revolutionary drive, make every minute count, to increase haulage and speed, and to greet the victorious convening of the 12th party congress with splendid production achievements.

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## TRANSPORTATION

### CONSTRUCTION WORK ON OLD, NEW LIANYUN PORT FACILITIES ACCELERATED

Nanjing XINHUA RIBAO in Chinese 24 Aug 82 p 1

[Article: "Pace of Construction at Old and New Lianyun Ports Speeded Up"]

[Text] Good news recently came from the construction site at Lianyun: as a result of the efforts of the harbor construction workers, in the first half-year the pace of harbor construction was third among all coastal harbors nationwide. By the end of July, the harbor construction had already completed 48.44 percent of the total investment quota for the year. The construction workers are elighted to be able to welcome the 11th Party Congress with the specific accomplishment of speeding up construction of the port.

Lianyun Harbor is one of our key ports. Last year the Ministry of Communications declared that the old port area at Lianyun would be expanded and a new port area would be built. This January the work of expanding the old port and building the new port was begun. This harbor construction project includes construction of two 50,000-ton and two 10,000 ton triple freight wharves; in developing the new Miaoling harbor area a 35,000-ton coal wharf, a 16,000-ton general-purpose wharf, and roads, communications, water and electric mains and other supporting facilities between the old and new ports will be built.

In the past 7 months, as a result of the efforts of the harbor construction workers, more than 500 piles for the reconstruction of the wharf in the old port have already been driven; the more than 360 tiles for the platform, more than 300 meters long, have been sunk; more than 60 percent of the work of pouring and installation of girders and slabs has been completed; 6 iron tower-type outer harbor navigation beacons have already been completed and put into operation. The new harbor's main docking channel, washing-down area channel and the like, totaling 1.47 million cubic meters of excavation, have already been more than 90 percent completed, and the clearing and surveying work for the 53-square-kilometer outer anchorage has already been completed 4 months ahead of schedule. The washing-down area for the new harbor is 334 meters long, and the north-south tunnel passing through the eastern and western islands has already been cut. In addition, the embankment, freight yard and other installations have already been 70 percent completed, and more than 160,000 cubic meters of earth and rock backfill has been completed.

In the harbor construction, the builders have taken a proprietary attitude and have worked selflessly. The workers of the No 4 construction office of the Shanghai Navigation Bureau have paid no heed to changeable weather and high winds and waves, but have gone out on the water in three shifts every day to work. More than 133 laborers from Kengdao Brigade, Yuntai Commune, Guanyun County led by a temporary party branch, with some 20 Communist Party members leading the masses in active work, required only 3 months to cut the 334-meter tunnel through hard gueiss, in addition to removing 10,000 square meters of stone and using it to make nearly 200-meter-long embankment. The harbor construction project has also received energetic support from the Lianyungang city government and the masses in Lianyun District.

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